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PARLIAMENTARY DEBATES
(HANSARD)

HOUSE OF LORDS

OFFICIAL REPORT

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Abbreviation	Party/Group
CB	Cross Bench
Con	Conservative
DUP	Democratic Unionist Party
GP	Green Party
Ind Lab	Independent Labour
Ind 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

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House of Lords

Thursday 2 May 2024

11 am

Prayers—read by the Lord Bishop of Lincoln.

NHS England: Ovarian Cancer Question

11.06 am

Asked by **Baroness Hayter of Kentish Town**

To ask His Majesty's Government what assessment they have made of NHS England London stating that "anyone with ovaries can get ovarian cancer" in a social media post rather than referring to "women", whereas at other times NHS England refers to "men" in relation to prostate cancer; and whether this wording has been market tested with women, including those for whom English is a second language, to ensure that it is fully understood.

The Parliamentary Under-Secretary of State, Department of Health and Social Care (Lord Markham) (Con): We are writing to NHS England about NHS London's social media post, to reiterate the expectation that biological sex should be front and centre of all health-related information. Removing language around biological sex has the potential for unintended health consequences. The Government are committed to upholding the rights of women and girls, which is why we are consulting on updates to the NHS constitution, including the use of clear language based on biological sex.

Baroness Hayter of Kentish Town (Lab): I warmly welcome the Minister's response, which is probably welcomed across the House. Given the Government's welcome assurance that "single-sex wards" means "biologically single-sex wards", will he also discuss with the GMC the video on its website that advises doctors to ask trans patients which wards they would prefer to go in? Perhaps he could also talk to the GMC about its practice of allowing doctors to change their gender on the register without any advice that they should inform patients of their biological sex. Although I approve of the Government saying so, it is very hard for patients to ask for a doctor of a particular sex for intimate care if they do not know the sex of their doctor.

Lord Markham (Con): First, I thank the noble Baroness for all her work in this space. I will continue to work closely with her, including by writing to and meeting the GMC as necessary on all these matters. On her second point, while I respect that many clinicians may wish to keep their information private, we have to understand that, for many people, it is the patient's right to be treated by someone of a particular biological sex and to know what that is. We have to make sure that those feelings and understandable sensitivities—which are sometimes religious—are catered for.

Baroness Burt of Solihull (LD): My Lords, I totally agree that the wording looks a bit odd, to say the least, and that we should give special consideration to the wording for people for whom English is not their first language. However, there are tens of thousands of trans and non-binary people who would be missed out if we did not spell out that trans men can still get ovarian cancer and trans women can get prostate cancer. Does the Minister agree that what we need is clear, incisive language, so that everyone can be aware of the health risks that apply to them?

Lord Markham (Con): Yes, absolutely. We all come at this from the perspective of making sure that health is front and centre, which is why the primary descriptors should be "man" and "woman", as I think we all agree. Beyond that, we should clarify that "woman" may mean a "person with ovaries"—but the primary descriptor is "woman". I hope that we can all agree on that.

Baroness Meyer (Con): My Lords, given the lack of specific data on the consequences of NHS England's adoption of gender-neutral language and services, does my noble friend the Minister agree that the millions of women who have been affected should have been consulted before such measures were implemented? Does he agree that, if medical records fail to document patients' biological sex, clinicians would be at risk of giving trans people the wrong medication?

Lord Markham (Con): Yes. Once again, I come at this from the perspective that health is the primary factor here. Clearly, a person's biological sex is a key part of the information on their record that any clinician needs to know, so that absolutely needs to be primary.

Lord Cashman (Lab): My Lords, I will make a simple point with which I hope the Minister agrees. Is it not to be welcomed that we come up with language that is inclusive and reaches as many people as possible, as the noble Baroness, Lady Burt, suggested, and as is indicated in the framing of the information we are discussing?

Lord Markham (Con): Yes. To reiterate, I think that we should always use "man" or "woman" as the primary descriptor. For people with English as a second language, "woman" is very understandable. We can then be inclusive by saying a "person with ovaries", so that we are absolutely clear. My remit here is health, so I want to make sure that most people, especially if English is their second language, understand who we are referring to when we say "woman".

Lord Patel (CB): My Lords, I am slightly reluctant to stand up and get involved, but I have done so previously, and I will continue to support the campaign led by the noble Baroness, Lady Hayter, to make sure that the words "woman" and "mother" are not removed from our language—I absolutely support that. I will muddy the waters a bit. There is, in medical terms, a syndrome called androgen insensitivity syndrome, which occurs in about two to five per 100,000 births. The person born is registered at birth as a female, because they have the phenotype of a female and external

[LORD PATEL]

genitalia that resemble those of a female. They grow up as female, and the diagnosis is often not made until puberty, when they do not menstruate—but they develop breasts. They do not have ovaries. They often identify themselves as female for the rest of their lives, and they occasionally get married. I have looked after such a person myself. They are registered as female, they do not have ovaries and they sometimes have internal testes, which can become cancerous. So it is correct that only people with ovaries can develop ovarian diseases, including ovarian cancer. As I said, I have muddied the waters.

Lord Markham (Con): I am not sure that there was a question there, so I might take the easy option of thanking the noble Lord for his comments—and for maybe muddying the waters—and moving on.

Lord Collins of Highbury (Lab): My Lords, all noble Lords have raised the issue and the Minister has put it quite rightly: health has to be the primary consideration, language is quite important, and how do we reach difficult communities who are isolated, whether for community or religious reasons, and so on? On a visit to Kenya last year, I was able to see innovative practices. Women living with HIV are 60% more likely to get cervical cancer, so local treatment centres were being used as a way of testing and screening so that comorbidity was properly addressed. The success of these campaigns was because they were backed up by using individuals trained in the community to empower and educate their community. They provide a critical service by building trust and confidence, because many people are reluctant to be tested and screened in the way that noble Lords have been talking about. That innovation has been incredibly successful in Kenya. Does the Minister agree that we can learn from that sort of thing and start doing it in this country?

Lord Markham (Con): Absolutely, and I hope noble Lords have seen that I am keen to learn from wherever. I would be interested to understand more in this case. As I think we are all saying in these arguments, it is about making sure that we are being sensitive and inclusive in language, but that we are also being very clear in our language about what we mean so that health always comes first.

Lord Allan of Hallam (LD): My Lords, I recently looked at the prostate-specific antigen screening programme advice, which was very good and met the requirements that the Minister has set out. However, I got there only because of a Peer-to-Peer networking episode, where I bumped into another Peer who said, “You really need to go and look at the PSA screening”. It struck me then that this journey into screening programmes is still very confused and ad hoc. Will the Minister look at that and at how we can make sure that whoever you are and whatever your gender, your age and your other risk factors, you get the direction you need into the right screening programme?

Lord Markham (Con): I thank the noble Lord; he is always very good at bringing up some of those cases. I will look into it and make sure that we do that.

Baroness Fox of Buckley (Non-Aff): My Lords, I welcome the untangling of linguistic confusion and the implications for policy. However, when the Minister says, “When we say ‘woman’, we all know what we mean”, I am not convinced that that is true in policy circles. Increasingly, inclusive linguistic demands are that “women” includes men who self-identify as women, which means that by-women and for-women provision, such as rape crisis centres, domestic abuse support and so on, is actually not women-only at all. When the Minister says, “We all know what we mean by ‘woman’”, can he make it absolutely clear that he means “woman” as in “natal woman” and not those who identify as women?

Lord Markham (Con): I guess what I am trying to say here—again, always with my health hat firmly on—is that I want to make sure that when we describe something in a health sense, I want that person to know that we mean them because we are doing something which applies to them, often in the case of ovarian or cervical cancer. By saying “woman”, obviously in most cases that will make it very clear that it applies to them—particularly to those with English as a second language—and they know what that means. To make sure we are covering all the bases, I am very happy that we have that secondary descriptor of a “person with ovaries”. I am trying to cover all the bases in an inclusive way so that the health message gets through.

Nuclear Test Veterans: Support Question

11.17 am

Asked by **Lord Watson of Wyre Forest**

To ask His Majesty’s Government what support they provide to nuclear test veterans.

The Minister of State, Ministry of Defence (The Earl of Minto) (Con): My Lords, we are grateful to all service and civilian personnel who participated in the British nuclear testing programme and contributed to keeping our nation secure. That is why, as recognition, in November 2022 the Prime Minister announced the Nuclear Test Medal. We are also funding projects to celebrate, support and memorialise nuclear test veterans.

In addition to the existing range of veterans’ support available, the Government have instigated further benefits through the Veterans’ Strategy Action Plan, which outlines over 60 commitments to be delivered by 2028, including access to housing and healthcare, maximising veteran employability and recognising historic advantage. Over two-thirds of these commitments have already been met.

Lord Watson of Wyre Forest (Lab): I am grateful for that Answer, but the MoD was ruled to have acted unlawfully when it withheld Terry Gledhill’s medical records. That was part of 4,000 papers maintained as state secrets by the AWE at Aldermaston, which were then declassified and described by a Minister as being innocuous but which are now at risk of being locked away again after a security review by the warhead director at the MoD. I say to the Minister that there is

a big, important reason why this matter has to be put right. We are about to invest £20 billion in the new warhead programme, and those of us who publicly defend the independent nuclear deterrent, on all sides of this House, will play their part in maintaining public trust and support for that project. Does the Minister agree that our job will be made much easier if all test veteran records are made public, apologies are made where appropriate, and compensation is delivered where necessary? We do not have a Bikini island this time; we have to defend public trust in the ethics of the new programme.

The Earl of Minto (Con): My Lords, no medical records have been withheld from veterans before, during or after participation. Records can be accessed via subject access request under the Data Protection Act. The Atomic Weapons Establishment does not hold individual medical records. They are either held by the MoD or transferred to the National Archives.

Lord Alton of Liverpool (CB): My Lords, does the Minister know that some 1,500 of the test veterans who are still alive, of the 20,000 who were affected, have attended meetings here in Parliament and have claimed that, because some records were incomplete, those records have not been made available to test veterans? Will he look at that specific issue? Also, given that sites such as Maralinga in Australia, where some of the tests took place, are still regarded as uninhabitable, does he not agree that this demonstrates that people who were serving Crown and country were placed in harm's way?

The Earl of Minto (Con): Yes, my Lords, I agree with that. It has been widely recognised. A lot of the data that is held is extremely historic and, at times, what the issue really is can get blurred. As I have indicated in previous Written Answers on this subject, my right honourable friend the Minister for Defence People and Families visited the Atomic Weapons Establishment in March to personally review these 150 documents that are being referred to and which allegedly relate to test veterans. He is committed to update the other place in due course—actually, in pretty short order. I do not wish to pre-empt that Statement.

Baroness Goldie (Con): My Lords, the decision to award a Nuclear Test Medal is very welcome. The MoD endeavoured last year in advance of Remembrance Day to issue as many of these medals as possible. How many of these medals have now been issued?

The Earl of Minto (Con): My Lords, I can. Just over 22,000 individuals come into scope. We have received 4,800 applications. Of those, 4,400 have been approved. An assessment is going on because of some of the complications I mentioned earlier. As of today, we have dispatched 4,345—2,569 to veterans and 1,776 to next of kin. Before Remembrance Day, which noble Lords may remember was one of the issues last year, we succeeded in dispatching 1,220. Priorities since then have been for the over-90s and those with a terminal disease.

Baroness Smith of Newnham (LD): My Lords, in responding to the Question, the noble Earl talked about the commitments to the veterans of the tests but said that the information, if it is kept at all, is now very old—which is true, but so are the veterans. Does His Majesty's Government really believe that a medal, or the no-fault compensation scheme under the War Pensions Scheme, is sufficient for those who were subject to tests and to bloods being taken, potentially without agreement? Is His Majesty's Government really doing enough for the veterans who are still alive and their families, many of whom, unlike with other issues associated with war, will have been affected by miscarriage or birth abnormalities?

The Earl of Minto (Con): My Lords, the opportunities for nuclear test veterans are the same as for all veterans who are now in civilian life. All veterans can seek support from the Veterans Welfare Service, which is MoD-managed. The nuclear test veterans who believe that they have suffered ill health due to service can apply for no-fault compensation under the War Pensions Scheme. There is also the war disablement pension, which is available to all veterans who served prior to 2005, including all nuclear test veterans.

Lord Foulkes of Cumnock (Lab Co-op): My Lords, the time taken and the reluctance to give compensation in this case make it similar to the case of infected blood, and we see it again with the sub-postmasters. Has the Minister come around to the view that I am coming around to—that, irrespective of who is in government, there is a tendency in Whitehall to refuse compensation to people who deserve it? Is that not something we all ought to do something about?

The Earl of Minto (Con): My Lords, the broad issue of compensation is very thorny. Obviously, compensation needs to be evidence-based and appropriate and it needs to follow the correct tracks. I do not believe that Governments, of whatever hue, try to slow down compensation. I think what they try to do is get it right.

Lord Tunnicliffe (Lab): My Lords, is this not an example of the malaise that we have in the handling of veterans? Veterans are unhappy and we are in a bad situation with both recruitment and retention. Over 76% of veterans are dissatisfied with the Armed Forces compensation scheme and 500 veteran households are declared homeless every three months. Establishing an independent Armed Forces commissioner as a voice to improve service life and fully incorporating the Armed Forces covenant into law would give veterans the legal support that they deserve. Would the Minister support these measures?

The Earl of Minto (Con): My Lords, all Governments take the issues of veterans extremely seriously. As I said earlier, the Veterans' Strategy Action Plan is a further attempt to offer veterans additional support as they leave our Armed Forces, on employment, housing and all sorts of issues that are peculiar to veterans having served our country. It is only right and proper that we should continue to press those as hard as we possibly can.

Lord Lexden (Con): My Lords, following the question from the noble Lord, Lord Foulkes, is it not the case that compassion should be the central consideration in the Government's work to provide compensation? I hesitate to suggest it, but a little more compassion would be no bad thing.

The Earl of Minto (Con): My Lords, I entirely agree.

Tees Valley Combined Authority: Best Value Notice Question

11.27 am

Asked by Lord Scriven

To ask His Majesty's Government what consideration they have given to issuing a Best Value Notice to the Tees Valley Combined Authority, given the scale of the legal costs that its subsidiary the South Tees Development Corporation is likely to incur after losing a court case that it brought against PD Teesport.

The Parliamentary Under-Secretary of State, Department for Levelling Up, Housing & Communities (Baroness Swinburne) (Con): All local authorities must comply with the best value duty to make arrangements to secure continuous improvement in the way in which their functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Best value notices provide for early engagement with an authority that may be exhibiting indicators of potential best value failure. However, incurring legal costs alone is unlikely to trigger the issue of a best value notice.

Lord Scriven (LD): My Lords, it is not just the case which is referred to on the Order Paper. The 26 recommendations of the *Tees Valley Review* relating to Tees Valley Combined Authority are not legally binding or enforceable. Last week, the current mayor cast doubt on his commitment to implement recommendation 22, which is to renegotiate the appalling 90:10 profit deal that favours the private sector after half a billion pounds of public sector money had been invested, when he said that it was a "great deal" and that he would do it again. Is it not time to stop relying on voluntary agreements, regardless of who the mayor is, and for the Government to issue an enforceable best value notice to protect the interests of local taxpayers?

Baroness Swinburne (Con): The Secretary of State has requested a report on the progress with the action plan in six months, including encouragement to work with the Local Government Association and the Centre for Governance and Scrutiny. We have been encouraged by the mayor's response that he will quickly implement all the recommendations. It is only fair and consistent that the mayor and the combined authority have the time needed to develop and implement action plans to respond to the recommendations in the review.

Lord Watts (Lab): My Lords, if I had acted in the same way when I was a local authority leader, I would have been surcharged. Is it not about time that the mayor had the same sort of qualification, that he has to deal with his public money in the same way as his own money, and he should have fiduciary duty like local authority leaders have?

Baroness Swinburne (Con): There is a strengthened governance code for all the combined mayoral authorities and all these types of devolved government. I am sure that, as we progress with this, we will see those governance systems start to work more efficiently and effectively.

Lord Shipley (LD): My Lords, on 5 March 2024, the Government issued a best value notice to the West of England Combined Authority. On 24 January 2023, it issued a best value notice to Cambridgeshire and Peterborough Combined Authority, and it renewed that on 30 January 2024. Why are the Government refusing to implement an enforceable best value notice on Tees Valley Combined Authority when it imposes them on other combined authorities?

Baroness Swinburne (Con): To assist the House, let me say that best value notices are similar to the Department for Education improvement notices, which are issued following an Ofsted inspection and are a step before statutory intervention. A best value notice is issued to a local authority exhibiting indications of future best value failure. The notice is posted on GOV.UK and outlines the Government's concerns with the authority and the clear expectations of the actions needed to ensure continuous improvement. The examples given are a clear way in which those non-statutory instruments can be used. With regards to Tees Valley, it has just undergone a major independent review with 28 recommendations; we will see in six months' time if it has been conformed to.

Baroness Taylor of Stevenage (Lab): My Lords, the Minister has just said that not only will the Government not ask the NAO to come in to do the review, but the mayor is not doing what the review indicated. The Minister has responded to previous questions about requesting that the National Audit Office carry out a detailed forensic review of deals that have been done there by saying that it is not appropriate. Can I therefore ask her what outstanding questions she believes there are in relation to value for money for the people of Teesside? If we are not going to have a best value notice or a National Audit Office review, what steps will the Government take to examine the ongoing questions?

Baroness Swinburne (Con): As the noble Baroness and others in this House will know, whether people are doing what they say they are doing and whether we are achieving best value for money is under constant and ongoing review. The role of the National Audit Office is not to audit or examine individual local authorities, and its power would not normally be used for that purpose. We have already an independent review, and people have accepted its findings; we need to ensure that all 28 of those recommendations are implemented and delivered.

Lord Blunkett (Lab): My Lords, this is a very serious issue. I met someone yesterday who told me that their father, who lives in the Tees Valley mayoral area, had decided they were going to vote for the incumbent candidate because he was a really good Liberal Democrat.

Baroness Swinburne (Con): I am sure he is therefore voting for the person who is delivering for him and his local community, regardless of political affiliation.

Lord Scriven (LD): My Lords, the Minister's answer does not make sense. The *Tees Valley Review* concluded that, because of the poor governance, the lack of transparency and the deals that were done in the way they were done, value for money for the taxpayers of Tees Valley could not be guaranteed or ascertained—that is fact within the review. The mayor last week changed his commitment to implement the 26 recommendations, and he specifically said on recommendation 22 that he would do it again. Can I ask why the Minister feels it is not worth revisiting potentially looking at a best value notice in light of current events?

Baroness Swinburne (Con): Given, as I have outlined, that there are already initiatives under way to implement all 28 recommendations, I do not feel that a non-statutory best value duty notice would achieve anything other than duplicate what is already under way.

Asylum Seekers: Missing from Registered Address Question

11.34 am

Asked by Lord Thomas of Gresford

To ask His Majesty's Government how many asylum seekers whose applications are pending are currently missing from their registered address.

Lord Gascoigne (Con): My Lords, the department does not routinely publish this data, given that the figures are subject to frequent change. In addition, the Home Office, through a variety of means, including face-to-face and digital reporting, has robust procedures in place to prevent absconding and re-establish contact.

Lord Thomas of Gresford (LD): My Lords, the Irish Justice Minister claims that 80% of asylum seekers arriving recently in Ireland have crossed the Northern Irish border through the common travel area. What steps are the Government taking to monitor these movements from GB to Northern Ireland and then from Northern Ireland to Ireland? Is there an agreement between the Governments, as the Irish claim, for them to be returned to the safe country known as the United Kingdom?

Lord Gascoigne (Con): As the PM said, the comments from Irish politicians show that illegal migration is a global challenge, and that is why multiple countries are talking about third-country partnerships, as this House passed only the other day. We believe that they will follow where the UK has led. The Prime Minister said yesterday that we cannot go about cherry-picking

any of our international agreements. The Secretary of State is seeking urgent clarification that there will be no disruption or police checkpoints at or near the border. I can confirm that the UK has no legal obligation to accept returns of illegal migrants from Ireland. It is no surprise that our robust approach to illegal migration is already providing a deterrent.

Lord Swire (Con): My Lords, what is no surprise, or should certainly come as no surprise, is that the Home Office has absolutely no idea where these people are. Worse than that, the Home Office has absolutely no idea where the alleged hundreds of thousands, if not millions, of people who are not in this country officially are either. Are we not at the point now that we need to seriously look once again at the issue of ID cards?

Lord Gascoigne (Con): Much as I am loath to do this, I have to disagree with my noble friend's broad point. In the scheme that he referred to, an initial cohort of suitable cases, around 2,000 people, were identified for removal and placed on immigration bail with strict reporting conditions. For those outside the group, there is still a wide range of tools, some of which I discussed earlier, to maintain contact with them. This includes face-to-face and digital reporting, and it is worth making the point that many individuals are residing in Home Office accommodation. But it is also worth making the point that compliance for this cohort has remained high, and therefore we are confident of the whereabouts once the decision to detain is made.

Baroness Taylor of Stevenage (Lab): My Lords, Home Office sources have told the *Times* that only 400 to 700 detention spaces are reserved for migrants who are due for deportation to Rwanda. Can the Minister confirm that this equates to less than 1% of the current asylum backlog in the UK? The Prime Minister promised to detain everyone who has crossed the channel on a small boat, a record 30,000 last year. Given that we have only 2,200 detention spaces, what will happen to the remaining 28,000?

Lord Gascoigne (Con): The point to make is that we were well prepared for this moment when it comes to Rwanda. I appreciate the time limits, but we have already done a number of things. We have trained dedicated caseworkers and increased the number of detention spaces to 2,200. We are doing a whole variety of things around ensuring that the legal proceedings are done speedily. We have looked at the flights; the Prime Minister has already said that this will be done over the next 10 to 12 weeks, and we also have an airport on standby ready to deliver what we said we would.

Baroness Smith of Newnham (LD): My Lords, as the noble Baroness asked, what is happening to the other 28,000? If we think there are 30,000 who came irregularly last year and His Majesty's Government have found 2,200 places, where will everybody else reside?

Lord Gascoigne (Con): I do not think it would be appropriate for me to go through the different groups and numbers in detail. Turning to the original Question, I can say that those with a genuine claim would want

[LORD GASCOIGNE]

to be at their registered address and not abscond, simply because that would be in their interests in pursuing their claim. There are many checks for the minority who game the system, and we have a significant uplift in our capability to tackle this. We have procedures in place to work alongside the police and other agencies to track them.

Baroness Berridge (Con): My Lords, the Home Office is lawfully able to accommodate those who are under the age of 18. Can my noble friend the Minister outline whether that power has been used? If it has, do we know exactly where those under-18s are or have any of them gone missing?

Lord Gascoigne (Con): I am grateful to my noble friend, who has asked a number of similar questions in this area. This is important. In fact, my first Question at the Dispatch Box was about unaccompanied asylum seekers, and the duty of care to children is obviously something that the department and the whole Government take incredibly seriously. I understand that there are a number of dedicated hubs for children asylum seekers, and I am pleased to say that we have closed all seven hotels that we used to accommodate unaccompanied asylum-seeking children. I do not know the specific statistics for how many have gone missing, but I will take that back to the department and write to my noble friend.

The Lord Bishop of Lincoln: My Lords, the Minister talked about hotels. The population of seaside towns, such as Skegness, have been very welcoming of asylum seekers staying in hotels. In effect, hotels are a way of monitoring the presence of asylum seekers over time. The frustration of people in Skegness and other coastal towns is that the slow progress in processing asylum seekers is having an impact on the tourist industry, the local economy and jobs in these towns. Is the Minister aware of that?

Lord Gascoigne (Con): I am grateful to the right reverend Prelate. I have to say to the people of Skegness that I remember many a fine time in that part of the world when I was a young lad. Sadly, I have not been there recently. The right reverend Prelate is absolutely right that many communities up and down the land have been very hospitable, understanding and supportive. Helping those who need it goes to the vein of what this country is. The general point is that immigration, both legal and illegal, needs to be controlled. I am pleased to say that we have made great strides in clearing the backlog and that 100,000 cases have been processed, as we promised. I am happy to look at any outstanding issues in this area and pick them up with the right reverend Prelate outside the Chamber. He is very right, and we pay tribute to the people of the country for helping all people in need.

Lord Morrow (DUP): My Lords, can the Minister help the House with this? The Dublin Administration speak of 80% of asylum seekers crossing from Northern Ireland, but does he have any idea what the figure is? Some tell us that it is 80% of 20 people, which is not a vast number. Furthermore, it is very clear that the

Dublin Administration insisted that borders must be open at all times. Why are they changing their mind now?

Lord Gascoigne (Con): I am afraid I do not know what number that is 80% of, and nor do I think it appropriate to talk about it, but this Government are absolutely committed to the Good Friday agreement. We will do all we can to ensure that there is no hard border between Northern Ireland and Ireland. This is an incredibly sensitive issue and I know that some of the noble Lord's colleagues raised this in a debate in the Chamber yesterday evening. As I said earlier, the Secretary of State is seeking urgent clarification with his Irish counterpart.

Lord Blunkett (Lab): My Lords, I froze on Skegness beach as a child, but I return to the question from the noble Baroness, Lady Smith. Under the Illegal Migration Act, anyone who comes here undocumented is not processed. Perhaps the Minister, who is a decent guy, will tell us the figure for those who are unprocessed and permanently resident here because they cannot be transported in such numbers to Rwanda.

Lord Gascoigne (Con): As a point of clarity, at no stage did I say that I was sunbathing on the beaches of Skegness—or Skeggy, as we used to call it. Braver people would. On the noble Lord's point, it is worth returning to what we have said about tackling illegal migration. We have been in contact with a number of individuals who will be sent to Rwanda through the passage of that Act, but it is not appropriate for me to go into further detail on that. There are reporting restrictions in place for those individuals.

Bank of England (Economic Affairs Committee Report) *Motion to Take Note*

11.47 am

Moved by Lord Bridges of Headley

That this House takes note of the Report from the Economic Affairs Committee *Making an independent Bank of England work better* (1st Report, HL Paper 10).

Lord Bridges of Headley (Con): My Lords, it gives me great pleasure to open this debate. I begin by thanking all members of the Economic Affairs Committee for their time, toil and commitment which went into producing our report, and our excellent clerk, our policy adviser, and our special adviser Professor Rosa Lastra. I also remind the House of my registered interest as an adviser to and shareholder in Banco Santander.

Our report aimed to answer a simple question about the Bank of England: how is independence working? We asked that partly because last year marked a quarter of a century since the Bank was granted operational independence over monetary policy—a decision that signified an enormous transfer of power

from elected representatives to unelected officials. Since then, the Bank's remit has grown. It has undertaken quantitative easing on a massive scale and inflation hit a 41-year high in October 2022, resulting in a loss of public confidence in Threadneedle Street. All this raises questions about the Bank's accountability and performance. Accountability and performance are different, but clearly related. If an unaccountable body performs poorly, what then? Our committee thought it was time to kick the tyres and learn lessons. Our focus was primarily on monetary policy; we did not examine individual decisions, nor events.

Let me start with the Bank's overall record on inflation; I stress "overall". Inflation remained within 1% of the MPC's target almost 90% of the time between 1997 and 2021. The precise contribution of independence to that record is difficult to quantify—we heard that globalisation contributed too—but we concluded that independence should be preserved for the simple reason, to quote one witness,

"that there is a greater likelihood of interest rates being adjusted for economic reasons, rather than to suit ... political objectives".

That said, we concluded that reforms are needed and I will highlight some of the reasons why.

The first is the Bank's recent performance on inflation. Like many central banks, the Bank of England mistakenly thought that inflation was transitory. Possible reasons for this include a perceived lack of intellectual diversity in the Bank, as in other central banks, which contributed to insufficient challenge to modelling and forecasts. In particular, our committee was struck by the notable absence of any detailed discussions about money supply in the monetary policy reports. To quote one witness, "money supply was ignored in a rather foolish fashion".

The second reason we need reform is what has happened to the Bank's remit, which, as I said, has ballooned. This complexity risks jeopardising the Bank's ability to prioritise its primary objectives. The governor told us:

"It makes policy-making more complicated".

Its sprawling remit risks drawing the Bank into the Government's wider policy agenda, raising questions about accountability, which I will come on to.

Another reason we need reform is to address the blurring of monetary and fiscal policy thanks to quantitative easing. A powerful tool to combat the monetary contraction after the 2008 financial crisis, QE's continued deployment since then swelled the Bank's balance sheet to a record high of just under 50% of GDP and shortened the overall duration of the Government's liabilities, increasing the vulnerability of the Government's overall debt stock to movements in short-term rates.

Although the quantum of quantitative easing is a monetary policy decision, decisions on debt duration have consequences for debt management. Furthermore, and crucially, the taxpayer is on the hook for any losses incurred by the Bank thanks to QE. But the deed of indemnity—the contractual document between the Bank's asset purchase facility and the Treasury—is secret. That all needs addressing.

That brings me to another reason we need reform: accountability. The growth in the Bank's remit and QE have not been met with a commensurate increase

in accountability and parliamentary scrutiny. A democratic deficit has emerged which risks undermining confidence in the Bank and its operational independence.

Given those reasons, we proposed a number of what I consider to be very reasonable steps to address all this. I shall not read out a long laundry list, but they included: pruning the Bank's remit; reviewing hiring and appointments; a memorandum of understanding which clarifies how the interaction between monetary policy and debt management should operate; publishing the deed of indemnity; and a parliamentary review of the Bank's remit and operations every five years. Our overarching point was simple: the framework for independence and the operations of the Bank need reform.

What was the response from the Bank and the Treasury? Let me start with our concerns around forecasting and the big issue of groupthink. As many Lords will know, the Court of the Bank of England commissioned the Bernanke review into its forecasting. That review, in itself, shows the benefit of challenge. The review's findings were pretty scathing of the Bank's approach to forecasting and recommended changes on which I am sure a number of noble Lords will want to comment. But the review did not go into any depth on the key issue of diversity of thought, for the simple reason that it was not included in the review's remit. To my mind, this is odd. As the governor himself told us, the models are not like a "sausage machine", in his words, but reflect people's judgment. I agree with that; in fact, I would go further: the output of models are not tablets of stone. They might shape decisions, but they should not determine them. What is more, the Bernanke review's tight remit specifically excluded looking at any past decisions or events, so it was really not set up to ask the basic question: what went wrong, and why?

What is being done to improve challenge and tackle groupthink? In the responses, we are pointed to dissenting votes on the MPC. This is obviously true, but it rather ignores the fact that, between March 2020 and September 2021, when inflation was rising, the MPC was, month after month, unanimous in its view that this rise was transitory. Next, we are told that no review of Bank appointments is necessary, as the Treasury is committed to diversity in public services in its appointments. But what kind of diversity? Is diversity reflected in the recent appointments to the Bank's most senior positions? Might they suggest that the Treasury is the primary school for the Bank?

We are told that the MPC monitors monetary aggregates, so our recommendation, that there should be an analysis of their relevance to the Bank's inflation outlook, was rejected. I am conscious that we might fall into the trap of groupthink that there is groupthink. However, having mulled over the evidence that we received, I think that our recommendations are measured, and that the response to them was—to be polite—somewhat defensive.

What of the other reasonable proposals we made, that the remits of the MPC and the FPC should be pruned? The Treasury's written response states that:

"As both Committees have complex roles, it is right that their remit reflects this complexity".

[LORD BRIDGES OF HEADLEY]

But the next paragraph says that it agrees that there is benefit in improving the clarity and focus of the remit letters—something the Chancellor confirmed to us a few weeks ago, when he told our committee that the Treasury “could probably do better” at simplification. However, he then pointed out that, despite his slimming down the remit as regards climate change, climate change objectives

“are bedded into what the Bank of England has to do anyway”.

I find all this slightly confusing, so I have a simple question for my noble friend the Minister: does the Treasury think that the remits are still too complex? Are we at the beginning, not the end, of the process of simplification?

Let me now turn to QE and QT. Both the Bank and the Treasury argue that we do not need a memorandum of understanding to clarify how the interaction between monetary policy and debt management should operate. I beg to differ. The taxpayer is ultimately bearing the risk of QE and the costs incurred, and decisions are being taken concerning huge sums of public money without regard to the usual value-for-money requirements—a position that the Treasury Select Committee in the other place concluded is “highly anomalous”. More clarity is needed.

That brings me to the need to publish the deed of indemnity. The governor told us:

“I could not see anything in it ... that I think would excite people if it were published, but it is not my decision—it is the Treasury’s”.

Yet the Treasury’s response says that the document should not be published because it contains “market sensitivities” and

“operationally sensitive information relating to QE”, which risks

“undermining the transparency of the APF”.

The Bank and the Treasury appear to be at odds on this. In my simple mind, either this document will not excite people, or it contains market-sensitive information which will. Can the Minister tell us who is right—the Governor or the Chancellor? But the bigger point is this: given that the taxpayer is bearing the cost of QE, Parliament should surely be told how the relationship between the Treasury and the Bank works and who is responsible for taking what decisions and on what grounds.

That brings me to the final issue: parliamentary accountability. Operational independence should mean just that: politicians stay out of the Bank’s day-to-day decisions. But how often does Parliament debate the Bank’s overall performance, its remit letters or issues such as QE and QT? The answer is: not much. Our focus here in Parliament is largely on fiscal policy, not monetary policy—the Treasury in the City of Westminster, not the Bank in the City of London. We need to address that democratic deficit. An overarching review of the Bank’s remit every five years, as our committee recommended, would not undermine independence but strengthen it. Such a review could look at one of the other big issues: the inflation target itself, on which we heard conflicting views as to whether 2% is the right target.

Another question a parliamentary review could consider is whether we have the right balance between accountability and independence with regard to the appointments of the most senior Bank officials and their tenure and reappointment. As I said at the start, when things go wrong, does Parliament really have sufficient means to hold the Bank’s leadership to account?

The Bank and the Treasury are staffed by many professional, committed public servants. I certainly do not want to trash either institution, but I fear that the tone of the Bank’s and the Treasury’s responses to our report and its reasonable recommendations reminded me of a policeman at the scene of a crash. Concerned onlookers want to know what has happened and why, but the policeman politely shuffles them off, saying, “Nothing to see here. Just an unfortunate incident. Move along, please”. Well, I am staying put. Yes, operational independence should be preserved, but reforms are needed.

11.59 am

Viscount Chandos (Lab): My Lords, I am very grateful to the noble Lord, Lord Bridges of Headley, for introducing this debate, and for the exemplary work that he and other members of the Economic Affairs Committee have done to produce this report. I was privileged to be a member of the committee previously, when it conducted inquiries into both quantitative easing and the case for a central bank digital currency. This report revisits those subjects, at the same time as taking a broader view of the Bank’s working. The result is a powerful endorsement of Select Committees generally sticking with subjects and themes over a longer period of time, rather than allowing an inquiry to be seen as a one-off.

There is not a single conclusion or recommendation in this report with which I disagree, which prompts me, like the noble Lord, Lord Bridges, to ask myself whether the unanimity of the committee and the wide support for its findings represent an example of the very groupthink that the committee questioned the Bank of England and other witnesses on. So perhaps I should express my disappointment that the title of the report is blander than some in the past, even if the Governor of the Bank of England was critical of the committee suggesting that the Bank’s use of QE might equate to “addiction”.

As a young banker—so a very long time ago—I developed admiration and respect for the Bank and its culture. As a market participant, it had a profound understanding of the financial markets without generally being captured by them. Of course, even in those halcyon days, there were problems and failings, from BCCI to Barings, but there was widespread confidence in the integrity and competence of the Bank, even though it did not enjoy formally the independence that was granted to it by the Labour Government in 1997.

The structure and remit of the Bank has, as the noble Lord, Lord Bridges, already said, changed considerably—massively—even since then: from one deputy governor to four and from eight executive directors to 21. The multiplicity of additional objectives and “have regards to” was also highlighted by the

noble Lord. Has the culture of the Bank remained fundamentally unchanged as a result of this process and evolution? I believe that at the core, the best aspects of this culture remain, but that the recommendations of the report are important and necessary steps for protecting and reinforcing it.

I will focus on two issues: transparency and governance. In doing so I will comment on more specific policy issues and performance. I profoundly believe that transparency should be at the heart of public bodies generally; even the intelligence services are now significantly more open, if in a limited and carefully controlled way. Rather nostalgically, this made me think of my maiden speech, a frightening 42 years ago, on the subject of a European directive on bank accounting. Back then, although the clearing banks did report their true profits, merchant banks still disclosed profits only after transfer to or from a hidden reserve. As a middle-rank employee of one such bank, I questioned whether this really added to the stability of the financial system, faced by innumerable chairmen of banks in the same debate—I think the management of banks has become a little more diverse—arguing for the maintenance of the status quo.

Transparency should be at the core of the financial markets, and of the Bank of England's role in them. For that reason, I regret that, in the otherwise sensible review of the Bank's forecasting, Ben Bernanke did not advocate the adoption of forward guidance or the use of a so-called dot plot to provide markets with more data on which to base their interest rate expectations. The central bank is not there to provide the framework for traders to maximise the opportunity for trading games; it is there to create a stable and predictable environment for the benefit of the economy as a whole.

Likewise, as the noble Lord has already touched on, I am baffled by the Treasury's refusal to publish in full the indemnity under which the Bank of England makes whole any losses from the QE and QT programme. The reasons given by the Government are as opaque as the policy itself. In what way would the publication of the deed of indemnity jeopardise the Government's cash management operations? Would the Minister be kind enough to answer that when she comes to wind up, and explain why the protection of the Debt Management Office's operation is not unfairly at the expense of other market participants?

After the nearly three years since the committee's report on QE was published, it is still hard to come to any definitive conclusions, but this latest report provides an important update. I believe that the QE programme, in its three phases, was right in principle but wrong in degree. Its efficacy in bringing stability to the financial markets at times of maximum stress was clear, but it was of indeterminate impact in more general macroeconomic management. As a result, the scale of the purchases was almost certainly too great, and the speed of subsequent sales too slow. This has arguably exacerbated the problems of responding to a rising interest rate environment, and increased the cost to the Exchequer of the intervention. Can the Minister say what the net realised gain or loss currently is since the start of the programme, and what the mark to

market unrealised loss is on the assets still held by the Bank, all of which are for the Treasury's account under the deed of indemnity, as far as we know?

Very briefly, on governance and appointments there are serious doubts about, among other factors, intellectual diversity and political independence in relation to the court, the MPC and senior management. Some of this is visible; more lurks below the surface. I very much hope that the next Government—no complacency, on today of all days, but I hope a Labour one—will conduct a thorough review of the governance arrangements and appointment rules for every part of the Bank of England, and in addition look at the whistleblowing and independent process for resolving problems as and when they occur.

I very much hope that the Economic Affairs Committee will continue to bring its laser-like focus on the workings of the Bank of England, with many aspects of its operations not covered in this report. As the noble Lord, Lord Bridges, has also advocated, I hope that your Lordships' House will have much more time than in the past to debate these issues.

12.07 pm

Lord Macpherson of Earl's Court (CB): My Lords, I declare my interest as chairman of C Hoare & Co, a bank that opposed the setting-up of the Bank of England, became reconciled to it a couple of centuries ago, and now regards it as a privilege to be regulated by the Bank.

I congratulate the noble Lord, Lord Bridges, and members of the committee on a first-rate report. Operationally independent institutions can survive and prosper only if there is proper parliamentary accountability. All too often, that accountability can descend into cheap point-scoring. I believe this House's Economic Affairs Committee plays a crucial role in injecting serious, rigorous and impartial thought into economic policy debate.

Like the noble Lord, Lord Bridges, I was a little disappointed by the Government's response to the report. I should confess to having drafted similar responses, with an appropriately dead hand, in the past. I am hoping the Minister will be a little more forthcoming in her response than the Chancellor was, but I am not betting on it.

It is good news that inflation is firmly heading back towards the Bank of England's target of 2%, but we should not underestimate the impact of the recent rise in prices. Inflation is not some technical economic construct; it has a pernicious effect on people's lives. It affects their ability to budget and to plan. It has the biggest impact on those least able to protect their incomes, and that is usually the weakest and most marginal in society.

It is therefore important that we learn the lessons of the upsurge in inflation in 2021-22. The Bernanke report is a good start but, as others have noted, his remit was quite narrow. The Bank's forecasting model clearly has limitations, but then so do all forecasting models. That is why we should never become mesmerised by them.

Economic policymakers need to step back from mechanistic forecasts and focus on the underlying data here and now. Sometimes that data tells a clear

[LORD MACPHERSON OF EARL'S COURT]
 story. Quantitative easing was necessary in 2009 and it was effective, but later rounds of QE were an imperfect response to what were, in any case, supply shocks. Ever-increasing amounts of QE were necessary to have an impact on long-term interest rates and, in my view, resulted in an excessive build-up of money and liquidity in the system. QE did not cause inflation, but it certainly enabled it to take root.

I do not want to be too harsh on the Bank. As Bernanke observes, other central banks made similar mistakes, and the build-up of excess demand was as much the Treasury's responsibility, through an excessively loose fiscal policy, as it was the Bank's, but I hope the Bank will pay just a little more attention to monetary and liquidity indicators in the future.

That brings me to my second point. The Bank is doing a good job in unwinding QE, and it underlined its independence in pressing on in the autumn of 2022, despite potential political pressure from the Government. But, as QE unwinds, we are going to hear a lot about the losses sustained by the Bank. We hear rather less about the gains from the early years of QE, when interest rates were falling. Of course, had the ring-fence that the late Alistair Darling wisely put in place in 2009 remained there this would have been less of a problem, but the coalition Government chose to, in effect, draw down the gains as a way of meeting their fiscal rules. We are now paying the price.

I anticipate that future Governments, faced with even more challenging public finances, will want to put a stop to the fiscal leakage caused by QE. The key thing here is that the Government should not interfere in monetary policy: the remuneration of reserves must be a matter for the Bank. In taking any tax decisions, the Treasury needs to take into account the impact on the efficiency of the banking system as a whole.

The committee's report is right to draw attention to the ever-increasing breadth of the Bank's remit. It is always tempting for the Government to leave it to independent institutions to take the difficult decisions, but that carries big reputational risks since it draws the Bank further into debates best left to democratically elected politicians. It also fails to recognise that the Bank has limited instruments at its disposal. I fear the Government sometimes ignore Tinbergen's law that you need as many policy instruments as you have independent objectives.

The committee has also made some good points on appointments. Noble Lords will not be surprised that I am more relaxed than most about the Treasury's colonisation of senior policy positions at the Bank, and I welcome the appointment of Clare Lombardelli as a new deputy governor, who has experience working at the Bank and the OECD as well as the Treasury, but I agree with the committee that the Government need to find the right balance when it comes to appointments. I would welcome more interchange with the private sector.

I wonder whether we need quite so many deputy governors as we have. I recall advertising for one vacancy and conducting a process. The Chancellor

ended up appointing two candidates, simply because both were very well qualified and he and the then governor could not decide who was the best.

Recent events have underlined the importance of external members of the MPC. It has been good to see, on the one hand, Swati Dhingra ploughing her lone furrow arguing for looser policy and, on the other, Catherine Mann and Jonathan Haskel making the case for tighter policy. I was struck by a recent report from an external member of the MPC that mentioned staffing shortages constraining external engagement. I wonder whether the Bank executive should provide a liaison person at a more senior level to ensure that the externals' needs are met. Independent thought matters, and the Bank should continue to find ways of supporting external MPC members.

Finally, I should briefly mention the vexed issue of the publication of the deed of indemnity relating to the asset purchase facility. This puts me in mind of the Schleswig-Holstein question. There were probably three people who understood it: Alistair Darling, who is, very sadly, dead; me, who cannot remember; and my noble friend Lord King, who, as luck would have it, is not mad. Fortunately, he is the sanest man I know. He is also a man to be reckoned with, not least because yesterday he was appointed president of the MCC, on which I congratulate him. That the committee—and, by implication, my noble friend Lord King—has recommended that the deed be published is good enough for me. I can conclude only that the reason the Chancellor has not published the deed is that he did not understand the question. I would therefore like to ask the Minister under what, if any, circumstances the Government would publish the deed of indemnity.

To come back to where I started, this is a good report by the Economic Affairs Committee and I support its recommendations. The guiding principles of monetary policy put in place in the 1990s, not least by the noble Lord, Lord Lamont, of an inflation target of 2%, maximum transparency and an operationally independent central bank still hold good. Bank independence works and Governments interfere with it at their peril.

12.16 pm

Lord Lamont of Lerwick (Con): My Lords, I congratulate the noble Lord, Lord Bridges, on his excellent speech and this very good report. I was not a member of the committee but I am most impressed by the report and agree with all the conclusions. I will concentrate on recommendations 10 to 13, which deal with forecasting, the alleged lack of diversity, and groupthink—subjects mentioned by the noble Lord, Lord Bridges. I want also to look at the Bernanke report, which we now have.

In discussing forecasting, it is important, as I think the noble Lord, Lord Macpherson, suggested, to demythologise the subject. First, contrary to what many people believe, policy is not dependent on forecasts. Secondly, we do not, and should not, elevate forecasters into some priestly caste examining the entrails and telling us whether the gods will look favourably on a particular action. The gods are often deaf. Forecasting responds to a deep human need but, alas, the forecasts are often wrong.

There are several reasons why forecasts are fallible. One, which we should welcome, is that human beings are not machines or computers. They do not always react as they did last time. Another is the limits of government statistics. I do not think I should be saying this, but do we really believe that we can add up all activity in the economy month by month and measure changes to the last month within a fraction of a percentage point? Inevitably, government statistics are continually revised. Recessions that once undermined confidence and spread doom mysteriously disappear years later. Then there are exceptional events. You cannot forecast a pandemic. You may know that one is likely, but you do not know when. These are exceptional events but, unfortunately, history is exceptional events.

In his response, Dr Bernanke made some constructive suggestions for improving the Bank's forecasting capacity to do with staff, software and hardware, but I suspect that these are all at the margin. They will always be subject to the limitations inherent in forecasting that the noble Lord, Lord Macpherson, referred to, and one cannot escape the need for an element of judgment.

The governor, Mr Bailey, pointed out that the Bank has not one model but several, but that invites the aphorism: all models fail but some are useful. Dr Bernanke makes this very point: a forecast can be inaccurate and still be useful in enabling us to understand why the policy was wrong. Forecasts make a central bank more transparent and accountable, particularly if a policy has been consistently applied but the outcome is not as forecast.

Dr Bernanke's comments on the Bank's forecasts are, interestingly, somewhat milder than the newspaper headlines. He points out that the Bank was in the middle of the pack of central banks when it came to inflation and output. Its belief that inflation was transitory was one shared by many central banks, but that merely poses another important question: why did so many central banks get it so wrong? Was it a case of groupthink? Interestingly, Dr Bernanke defends the Bank of England against accusations of a lack of diversity in the MPC. Surprisingly, his view is that there is more diversity than in other central banks, and some of the witnesses, including Charles Goodhart, agreed, so it will be interesting to have the Minister's comments.

Too much diversity of thought for the sake of diversity itself can push a committee towards artificial consensus in which no one believes. This is where the fan charts, so loved by the Bank of England, have been so convenient. Who can disagree with a fan chart covering so many possible outcomes? As in an oriental dance, a fan can be used to conceal as well as to reveal. For that reason, Dr Bernanke recommends getting rid of the fan charts and substituting conditional forecasts, which he terms "scenarios". This might help to deal with the problem of exceptional events, but will it contribute at all to forward guidance?

What about groupthink between central bankers themselves? There may be value in forecasts that are wrong, but there is a difference between predicting the right trajectory with errors and predicting a completely wrong trajectory. Many central banks thought the pandemic would continue to be deflationary, hence the resort to a huge injection of quantitative easing. At the time, a number of commentators, including

Paul Tucker, the former deputy governor of the Bank, questioned why central banks wanted to stimulate aggregate demand just as aggregate supply was closing down. It was almost as though there was an assumption that QE ought to be the default response to every crisis. That would surely be a mistake.

Dr Bernanke is a disciple of Milton Friedman. I was therefore surprised that he did not address the point made in conclusion 11 of the report that the MPC did not seem to have had any detailed discussions about the money supply or made any analysis of monetary aggregates and their effect on inflation. To be fair, the governor denied that this was the case, but Roger Bootle said in his evidence:

"Over the past few years ... we have gone from a situation in which economic policy ... was governed entirely according to ... a certain definition of the broad money supply"—
that was the policy in the early 1980s—

"to one in which, apparently, the Bank took no notice of monetary aggregates at all".

I was particularly interested in this, for the very reason that the noble Lord, Lord Macpherson, kindly mentioned: in 1992, when we introduced a new framework for policy, namely inflation targeting, the target was accompanied by target ranges for monetary aggregates. The regime of inflation targeting was continued and carried through to Bank of England independence by Gordon Brown, but the ranges for monetary aggregates were discontinued. Inflation targeting is not a perfect policy. It can be criticised for being backward-looking and a rear-mirror policy. But monetary policy, as Dr Bernanke reminds us, operates with time lags and therefore enables policymakers to focus on not just the current rate of inflation but what we expect inflation might be in two years' time.

The report makes the point that the Bank has too many secondary objectives to which it is asked to have regard. Many of these objectives are not really affected by the instruments available to the Bank. This must be true of climate change. The Government ought to be clear that tackling climate change is a matter for the Government. To expect the Bank to lead on that makes no sense. I quote the governor himself, who said that climate change
"is not really an issue of monetary policy".

In addition to the inflation target, the Bank is also charged with supporting the Government's objectives on growth and employment. A major change was introduced in 2013, when George Osborne gave the Bank a new remit in which the MPC was tasked with setting out the trade-off when deciding how long it would be before an above-target inflation rate came back to target. As the governor said, these changes gave the Bank much more flexibility over how quickly it could bring inflation back to target. This considerable latitude, which is welcome in one sense, may be another reason why the Bank was so slow to raise interest rates and get inflation back towards target—and we are not there yet. As things have demonstrated in the United States, the last furlong may still prove difficult. Indeed, one former central banker said to me that, if we get inflation back to target without positive real rates of interest, it will be the first time this has ever happened. Let us hope that the optimists are right and that we are heading back towards target.

[LORD LAMONT OF LERWICK]

As my noble friend Lord Bridges said, the Bank is very different from the one made independent in 1997-98. It has expanded its discretion and the tools it uses. Its credibility matters. So it is important that it is robustly scrutinised and challenged, precisely as this report and this debate are doing.

12.25 pm

Lord Gadhia (Non-Afl): My Lords, I declare my interest as a member of the Court of Directors of the Bank of England but speak today in a personal capacity.

First, I offer my compliments to the noble Lord, Lord Bridges of Headley, and his committee for the thoroughness of their evidence sessions, attracting a star cast of witnesses, to provide a timely review of the Bank's 25 years of operational independence. Together with the review of economic forecasting commissioned by the court from Professor Ben Bernanke, the Bank now has a substantial body of independent input on which to propose forward-looking reforms. I know the governor and his colleagues are taking this process seriously and will provide a further update by the end of the year.

As someone who has experienced the Bank in close proximity for the past 18 months, I am pleased to share some observations and hope that I can dispel a few myths and add some nuance to this debate. At the outset, it is worth noting that in my brief time serving on the court, I have not come across anything remotely resembling the deep state, but instead a group of truly committed public servants who are faithfully seeking to fulfil their statutory remits.

The Bank takes accountability to Parliament incredibly seriously and devotes substantial time preparing for and participating in evidence sessions. In fact, if anything, the scope for improvement in scrutiny lies less with the Bank and more through enhancing the capabilities, attitude and co-ordination within Parliament. The decision to appoint separate committees of each House to review post-Brexit financial regulation is a case in point. If there is a democratic deficit of accountability, it is often a self-inflicted one. With due respect to the House of Commons, it should be especially mindful of the behavioural consequences of seeking "gotcha" moments which might generate media headlines but do little to gain deeper insight into the trade-offs which often lie at the heart of key policy issues. This makes our institutions more risk averse and contributes to a culture which incentivises overregulation and suppresses innovation.

The core conclusion of the report on the effectiveness of independence is not only reassuring but a timely reminder of the underlying rationale for removing political involvement from day-to-day monetary policy decisions. During this election year, we can be confident that, if and when interest rates start to come down, they will do so for economic and not political reasons.

The benefits of this policy credibility in anchoring expectations should not be underestimated. It is often difficult to prove a counterfactual or attribute cause and effect, but we saw the disastrous consequences when market confidence evaporated in autumn 2022. The emergence of the unfortunately named "moron

premium" in UK gilts is a proxy for the type of cost that citizens would incur if political decision-making trumped economic reality.

Among the other key conclusions of the report were concerns about groupthink, mission creep and boundaries between fiscal and monetary policy. I shall touch on each. The Bernanke review demonstrated that the process of challenge is as much about the analytical tools available as the individuals. The court meets regularly with external members of the policy committees, who are a diverse and engaged group. They contribute positively to challenging the executive and each other, with little evidence of groupthink, as demonstrated by the historic voting record of the MPC. However, they require the necessary support and input. One significant gap in recent years has been deciphering post-pandemic changes in the labour market. That has probably been more significant in our understanding of inflation than monetary aggregates.

On the remit, the Bank is a rule taker, not a rule maker. The post-financial-crisis structure of the Bank, determined by Parliament and further embellished by the recent Financial Services and Markets Act, is a complex web of committees and mandates that hangs together and works largely as intended. In turn, it shapes the organisational structure of the Bank, which feels proportionate to the scale and responsibilities that it holds, but it places an almost superhuman requirement on the governor to be across a vast span of policy and organisation.

For the MPC specifically, given the limited policy instruments at its disposal, it is not clear how adding multiple secondary objectives achieves much more than a feelgood factor for politicians. Streamlining the remit letters would be welcome but remains a matter for the Chancellor of the day, subject of course to scrutiny from Parliament. I concur with my colleague David Roberts, chair of the court, that organisations work best when they have clarity and simplicity of objectives and goals.

It is entirely appropriate for fiscal policy to be asymmetric—namely, the MPC takes the Government's fiscal policy as a given, and the onus is on the Chancellor to make tax-and-spend decisions that do not undermine price stability. It is right that this *modus operandi* is underpinned by close dialogue between the Bank and the Treasury but not by explicit co-ordination.

With regard to quantitative easing, I have sympathy with concerns about swapping out longer-duration gilts with short-term deposits. That makes the cost of servicing government debt more volatile, but it is something that the Treasury was fully aware of when it granted the deed of indemnity to the Bank to facilitate QE. In the context of quantitative tightening, as long as the Bank and the Debt Management Office are in appropriate dialogue, which they are, a memorandum, as suggested, would add very little.

The role of the court has evolved over time. It has modernised into a unitary corporate board responsible for everything up to, but not including, policy decisions. That includes resource allocation and budgets, investments, culture, capabilities, technology and delivery for a 5,000-strong organisation with an £800 billion balance sheet, which processes a similar amount in payments every day. The court is very much part of the

accountability chain, as acknowledged in the committee's report. Our ability to shape the organisational agenda and provide internal challenge is significant, and the current court is certainly up for shouldering that responsibility, as demonstrated by our commissioning of the Bernanke review.

However, there are limitations. Like a conventional private sector board, we do not possess hire-and-fire powers over senior management, unfettered rights to determine strategy, or absolute oversight. At times this is frustrating, but it is equally unrealistic to expect an elected Government to cede complete control. Instead, we exercise our mandate through influence, with much depending on the receptivity of the serving governor and deputies to receive the court's input, as well as through collaboration with the Treasury. To make the court more effective and better use our expertise, I believe that closer involvement in making appointments and in setting budgets, especially with the introduction of the bank levy, would help to strengthen overall governance and accountability.

The Bank is a unique organisation that plays a crucial role in our nation's economic life. We should certainly seek to improve its operations and hold it to proper account, something that I am personally committed to as a member of the court, but equally we shoot ourselves in the foot if we undermine the Bank's credibility, standing and independence, which has largely served us well over the past 25 years and more.

12.35 pm

Baroness Lane-Fox of Soho (CB): My Lords, I too thank the committee for this extremely effective and wide-ranging report. I shall make a short intervention with three different hats on.

The first of those hats is as president of the British Chambers of Commerce. We work closely with the Bank on our quarterly economic survey, and our customer and policy insights team works closely with it to swap and use data between the two organisations. It will perhaps be no surprise to this Chamber that, as I travel about as president of the BCC from Poole to Coventry to Doncaster to Glasgow, I hear anxieties about two AIs: artificial intelligence and alarming inflation. Our recent quarterly economic survey shows that business confidence is still very flat. Businesses do not invest at the minute and, although there has been some easing in their hiring constrictions and they are beginning to find more of the talent they need, confidence levels are still low.

I know from conversations with businesses as I travel about, whether to a cheese-wrapping factory or a racehorse training college in Doncaster—one of my favourite days out—that part of the reason for that is people's opaque view of what is happening in the economy, at the heart of which we must put the Bank of England. More can be done to explain the role of the Bank and—this goes to my noble friend Lord Macpherson's point—how it is affecting people further down the chain in the economy, who often bear the brunt of the inflationary aspects that we see: a small supplier having a horrible time with their supply chain, or a business struggling to pay the wages it needs to hire people in its bars. While we have a close

and productive working relationship with the Bank of England, we also see the direct consequences of the policies that it enables. I personally believe that more could be done to keep the transparency and the levels of trust high in what the Bank of England is doing for the economy, especially among the 85% of our economy that are small businesses, as noble Lords will know.

The second hat that I wear is as a director of Peers for the Planet, an organising group in your Lordships' House, as many noble Lords know. While I hate ever to disagree with my far more learned friend the noble Lord, Lord Lamont, I believe it is a risk that the Bank of England is not putting resources into climate change analysis. Of course the Bank is not responsible for the policies that will help us to combat the climate crisis but, even as recently as 2022, we saw a German drought directly impact small businesses because of issues related to our supply chains here into the UK, and that created a small inflationary peak. It is essential that we do not reduce the Bank's capacity to analyse the effects of the climate crisis as they hit us. We know that the Bank has substantially fewer climate-based resources than other central banks of similar size and scale, and 54 experts wrote to the governor in March this year to say so.

For my third point—because I can never resist an opportunity in your Lordships' House to talk about digital transformation—I am wearing the hat of an ex-digital champion for the UK and creator of the Government Digital Service and GOV.UK. I realise it was not in the remit of this committee's work, but I am much struck by the extremely harsh assessment in the Bernanke report of the Bank's IT and digital systems. There is plenty of talk about collaboration with the fintech sector and I have seen the governor talking about the impact of AI in the world, but that is different from the investment needed in hardware and software to have an effective Bank. We know that across the institutions in this country there is a substantial deficit of understanding of what the digital world is now enabling, and the tools that we have in the modern age which will enable us to do a better job.

I am clearly not an expert in the Bank of England but I appreciate the scale and challenge that this would present to any institution. I urge the Government to keep up the pressure, advice and help in supporting the Bank to make those necessary transformations. Catching up with digital investment is very hard. It can be very expensive and can go very wrong, but it is also essential.

The committee's report starts by saying that the Bank of England was established in 1694 for the "public Good and Benefit" of all people. I urge the Bank of England to make sure that it is still using the tools of and looking at the risks of the modern age, while thinking about the make-up of the economy for the modern age to fulfil that remit.

12.40 pm

Lord Moynihan of Chelsea (Con) (Maiden Speech): My Lords, I stand in this House to make my maiden speech, aware of the great honour that membership of this House entails—surely undeserved in my case. With each week that I am here, I get to understand

[LORD MOYNIHAN OF CHELSEA]

more of the extraordinary nature of this House, of the wonderful and supportive help that is given to us Peers by the doormen, the clerks and the many talented and experienced officials. I am so grateful to the many who helped me be introduced to this House: Garter, my noble friends Lord Kamall and Lord Moore of Etchingham, noble Lords on all sides of the House, my excellent mentor and noble friend Lord Borwick, the Clerk of the Parliaments, Black Rod and many others.

I am told that it is customary to offer brief details of one's life to noble Lords before commencing upon the body of one's speech. Perusing other maiden speeches, I was glad to note that at least a few noble Lords had chequered early lives, which is something I share with them. But in my mid-20s, I managed to get myself to America, first studying finance and economics at MIT and then staying in the US for almost two decades, advising banks around the country and on Wall Street, which gave me knowledge and experience of relevance to this debate. Happily married in New York, I had not planned to return to the UK but, in 1992, was offered an opportunity to run a large British company that at that point was on the verge of bankruptcy, which fortunately for me meant that no one more competent than me had any interest in taking it on. The company survived its encounter with me; I was happy to be back in Britain. I later branched out into the field of venture capital and have founded a score or more of new companies, mostly of a scientific or technological nature—at least some of which did not go bankrupt.

Moving on to my attempted contribution this afternoon, I heartily recommend the excellent report of my noble friend Lord Bridges's committee to this House. I had been warned not to say anything controversial in a maiden speech; however, Ben Bernanke's report has thoroughly beaten me to the punch on that. For my own effort here, I offer noble Lords what I hope are three less controversial conclusions that can be drawn from the report.

First, it is welcome that money is now to be taken into consideration. We all know that inflation, as the noble Lord, Lord Macpherson of Earl's Court, has just said, is devastating—particularly for the old, the poor and those living on fixed income. The cost of living rises for everyone. For retiring savers who do not have a defined benefit pension arrangement, buying annuities during a time of quantitative easing means very low future lifetime incomes. Yet excessive QE creates excess money, which then creates inflation, which then destroys the small value of the retiring savers' income even further. On the other hand, for borrowers, QE offers attractively low initial interest rates—but that causes asset inflation, so you have to borrow to the hilt to buy your house, and then inflation arrives. Interest rates double, as do your now unaffordable mortgage payments, so both savers and borrowers suffer from QE. Is a QE-inflation-recession cycle a better option than letting markets decide interest rates and letting economies recover more naturally than with intervention?

Some would argue that the QE approach has proved worse, so it was welcome that the Bank's governor stated in evidence that he believes that money plays a

part in inflation. The Bank of England's chief economist, less reassuringly, stated that the elevated level of UK inflation stems largely from the impact of external shocks rather than excess money growth. Yet Tim Congdon, with the moral advantage of having predicted the arrival of 10% inflation, disagreed in his evidence. He said that the “globalisation idea” is very wrong and that

“this three-equation new Keynesianism ... is a catastrophic set of ideas”.

The noble Lord, Lord King of Lothbury—I add my congratulations to those of the House on his election yesterday as president of the MCC—hit the nail on the head when he said in the evidence sessions that we looked in vain for references for money and lending in the reports of the Bank. Inflation did not happen everywhere around the world: it happened neither in Switzerland nor Japan, for example. The difference was in their monetary policies, so it is good news that the Bank will pay greater attention to money volumes. We look forward to hearing in further detail on how it proposes to take account of money volumes in future.

Secondly, the report offered valuable recommendations for enhancing the Bank's risk management. The committee's report was thoughtful and valuable. It asked the right questions and came to good conclusions, which I hope will be implemented. The committee called, as did my noble friend Lord Bridges this morning, for diversity of viewpoints so that more scenarios would be offered to the Bank. It suggested that better fallback plans could be created. An example would be creating a plan to deal with the risk that the Bank had apparently identified some years earlier: that the leveraged LDI funds would fall over. My noble friend Lord Wolfson of Aspley Guise had warned the Bank about this back in 2017.

It is also arguable that the Bank might take into consideration the dangers of oversharing information with the market: for example, by communicating up front a hard end date to a stabilisation programme, which in itself would destabilise the markets. The Bank could also consider stepping forward to communicate to the Government any concerns that were raised by both the Bank and the committee in evidence regarding the inherent risk that has been created by the Bank being required by the Government to attend to what my noble friend Lord Bridges called in the evidence sessions the “rambling rose” of no fewer than 25 government-imposed “have regards”.

Finally, on the value of the Government and the Bank aligning and co-ordinating better, most of us agree that the Bank of England must be independent. But, as a former Chancellor pointed out during evidence, it also has a further requirement, which is to support the Government's economic policy. How to reconcile these two requirements? It is easy when the Government and the Bank are agreed on a proper economic approach, but more difficult when they differ. That is a conundrum whose answer may lie in the Bank not seeking to be too doctrinaire—for example, in deciding to embark on an aggressive QT programme. If the Bank is opposed to a Government's policy or thinks that its actions might upset that policy, then arguably it should take great care to discuss with that Government any honest

and honourable differences in economic viewpoint as soon as possible. In particular, it should consider possible changes in its timing of any planned major announcement which might otherwise accidentally coincide with any equally major but opposing government announcement.

I am close to overrunning, so I bring my remarks to a close. I thank your Lordships for their forbearance and attention. I hope my words might have some impact in reinforcing some of the poignant thrusts of the committee's report.

12.49 pm

Lord Hannan of Kingsclere (Con): My Lords, I think we just heard a flavour of why at least one former Prime Minister was in the habit of publicly saying that my noble friend Lord Moynihan was a far more reliable forecaster than the Treasury. It is a great privilege and pleasure to follow his maiden speech.

I hope I can say this as an ex-politician among other ex-politicians: if you have been close to government, you can see how far a politician can go by just saying the right things and voting the right way but making barely a dent on the real world. That option is not open to the entrepreneur. My noble friend has gone through life making a tangible and benign difference in field after field. Most obviously, in business he has turned around hundreds of companies, perhaps most spectacularly the firm PA. I speak not of the wire service, I should say in this place, but of the technological and scientific consultancy, which was effectively bankrupt when he took it over and which he left with a valuation of \$2.5 billion.

He has done the same thing as president of the Albert Hall. Look at the outside next time you are there and see the transformation made possible by the £11 million surplus that my noble friend created as president. He did the same—I am conscious that I may be queering his pitch with a great many of those in the Chamber now—as the chairman of the committee of Vote Leave, taking over with a deficit and leaving with a victorious outcome.

He is very hands-on. He has most recently been not just purchasing and supplying ambulances for Ukraine but driving them across the border himself in quite difficult conditions. As much for his cheerful and infectious optimism as for his keen intellect and focused pragmatism, we are very fortunate to have him alongside us in this place.

We are living through an unprecedented and uncontrolled monetary experiment. Starting in March 2009, the Bank of England began a programme of money printing that would have put to shame a 1970s Latin American junta. Since then we have increased the amount of money in circulation by an almost unbelievable 50%. Nearly half of that increase has been since 2020 as a consequence of the pandemic.

You cannot magic up that amount of currency without deleterious impacts on people's lives, although people do not always join the dots. A number of the things that people complain about in this country have their root cause in excessively loose monetary policy—most obviously the squeeze on living standards, but also the rise in house prices, the divergence between haves and have-nots in terms of assets, and the public sector

strikes that continue to plague us, as noble Lords will know if they travel here by train. They all have their roots in excessive inflation.

We heard about the malign consequences of inflation from the noble Lord, Lord Macpherson of Earl's Court. I think I would go further than he did. He said that QE exacerbated but did not cause inflation. What else will cause inflation if not such a massive expansion of the money supply? Milton Friedman said that inflation is always and everywhere a monetary phenomenon; it is caused by too much money chasing too few goods—"Milton! thou shouldst be living at this hour: the Bank of England hath need of thee".

It was quite extraordinary to hear Gertjan Vlieghe, then a member of the Monetary Policy Committee, say in April 2020 that the balance sheet of the Bank would be comparable to those of the central banks of the Weimar Republic or Zimbabwe—his words, not mine. How can we look at that and not consider the consequential impact on people's lives in the real world?

I have little to add to the brilliant analyses of my noble friends Lord Bridges and Lord Lamont, but let me make a point about accountability. When people complain about rising prices, rising asset values and the difficulties of having to run to stand still, to whom should they direct their complaints if the root causes are independent authorities, which have been put deliberately beyond the reach of elected Ministers? If the vast majority of the decisions that impact on our lives are taken not just by the Bank of England but by a series of other quangos and agencies, from the Climate Change Committee to the European Court of Human Rights and the Office for Budget Responsibility, the act of casting a ballot is devalued.

That is something that this report takes some steps towards addressing. My noble friend Lord Bridges hinted at this, but he could have gone a little further. He talked about the mandates and appointment processes for governors and other senior staff at the Bank of England. If you are in for a couple of terms and then no one will bother you again, that strikes me as a fairly weak form of accountability.

I would also like to see Parliament taking some responsibility for the mandate of the Bank. Specifically, I would like to see its terms of reference tweaked so that this kind of unprecedented monetary expansion cannot happen without approval. I would like to see the terms of the Bank of England changed so that the maintenance of the value of the currency, sound money, is expressly recognised as one of its goals. Whether or not you agree with me, and whether or not you think that is a proportionate policy, surely we need stronger mechanisms of oversight.

Today is local election day. It is one of the few elections that your Lordships are allowed to participate in. The polls are still open, but I will go out on a limb here and say that the election result will be a massive win for the "Can't be bothered" party. The number of people who took the trouble to register to vote but did not bother to cast a ballot today will be greater than the votes cast for all the other parties put together. Why is that? Is it sheer cynicism or apathy? Is it not that the decisions that most directly touch on people's

[LORD HANNAN OF KINGSCLERE]

lives have been lifted out of the democratic process and placed in the hands of bodies that are invulnerable to public opinion? Changing the mandate of the Bank of England will not solve that problem on its own, but it is part of a process of restoring the supremacy of the elected representative and thereby restoring honour, meaning and purpose to the act of casting a ballot.

12.57 pm

Lord Burns (CB): My Lords, I am also grateful to the noble Lord, Lord Bridges, for introducing this debate. I congratulate the noble Lord, Lord Moynihan of Chelsea, on his maiden speech and his entrepreneurial career. I am sure we will hear much more from him on many of the topics we are talking about this afternoon.

This is an important report. The noble Lord, Lord Bridges, set out its conclusions well. In particular, he described how the monetary framework has been severely tested in recent years. I was not a member of the committee when the report was published, but I am pleased to say that I am now once again a member of it.

It is striking. We must bear in mind that the increase in prices over the past three years has been over 20%—more than three times the target at the time. We should not forget that, on the eve of the Russian invasion of Ukraine, inflation was already well above target. It must also be acknowledged that this is a problem shared with many other major countries, although it has been pointed out that some managed to avoid this—certainly to the extent that we have suffered.

I will limit my comments to some of the issues covered in the report where I have some experience. The first relates to economic forecasts. When the noble Lord, Lord Lamont, introduced the inflation target rating in 1992, we knew that maintaining inflation within a narrow range would not be easy. Interest rates have to be set on the prospects for inflation some time ahead. This inevitably means some reliance on judgments about the outlook over the next two years or even more.

I carry many bruises from my own time in the forecasting business. The evidence is clear that making accurate forecasts for inflation over this kind of time horizon is very difficult. The noble Lord, Lord Lawson, often said to me when he was Chancellor that forecasts work well when the economy is behaving well and you do not need them, but they are at their weakest when the economy is subject to volatile circumstances and you need them the most. I think the experience since the Bank of England's independence is consistent with this. During the great moderation, as we know, the forecasting record was astonishingly good. It is only when we have come to this time of turbulence that we have seen just how bad it can be.

I remain an enthusiastic supporter of trying to create models of economic processes. There is much to be learned from the discipline of testing hypotheses about behaviour against data from the past. But, if events take us outside our historic experience, it has to be said that these relationships will be prone to error. I fear the Covid lockdown was one such experience.

So, although I have some sympathy for the forecasters, especially in a world full of people with perfect hindsight, we also need to ask questions about the lessons that should be learned.

I am concerned that, over the years since the MPC was established, an increasing emphasis has been given to model forecasts, and I worry that the MPC has gone too far in this direction. Forecasts must be used with care, and model forecasts should not be the only guide to decisions. They have to be looked at, as several other speakers have said, alongside a range of other indicators: monetary and financial measures, as well as labour market pressures and, crucially, what is happening in other countries and in world markets generally. It is also advisable to spend time understanding the source of errors in the recent past and whether they have clues to the future.

Reading the Bank's monetary reports, I have a further worry. The forecasts are presented as the forecasts of the MPC itself. It takes collective ownership of the process and the forecasts, but I am not sure how a group of this size with several part-time outside members can do this effectively. Surely it would be better if the forecasts were owned by an executive forecasting team, and the MPC would then take them into account, along with other forecasts, analysis and insights, in making its decisions.

This leads me to the concern in the committee's report that there might be an absence of challenge, and the issue of intellectual diversity. I would like to see the minutes include contributions from individual members of the MPC, setting out briefly why, on balance, they have reached their decision and the main factors they have considered. We have the votes but not the reasons for the votes set out in a systematic way.

Recently, I have been looking at some of the published minutes of the monthly monetary meetings that took place between the Chancellor and governor in the pre-independence era. One interesting feature there is the extent of the challenge between the main participants—what came to be known as the “Ken and Eddie show”. At the end of those meetings, first the governor and then the Chancellor would summarise the balancing of the factors and their views on whether to change interest rates. There are some useful ideas here about how this could work for members of the MPC, so that we could hear rather more about the balancing process, rather than this astonishing degree of agreement most of the time.

My final group of concerns is around the issue of operational independence versus policy independence. In its initial form in 1997, the emphasis was very much on operational independence, with the Chancellor setting policy through the remit and the inflation target. With the extension and greater complexity of the remit, and with the emergence of QE and QT, this distinction has become, to my mind, much more blurred. For example, once the inflation rate is outside the normal tolerance band, it seems to me that there is an important question of who should decide the speed for aiming to return inflation to its target. For me, this is as much a policy question as it is an operational question. Surely the Chancellor should be more actively involved in this issue than we have observed.

There is a similar issue about governance surrounding QE and QT, and there is a clear role for both, as temporary measures under extreme circumstances, to occur. We saw the success particularly during the international financial crisis. However, since the onset of Covid, it has been done in a way that has been pointed out by several speakers: it has logged up huge mark-to-market losses and higher debt interest costs. We have still had no answer to the questions: “What account was taken of the potential fiscal costs when the decisions were made, who should have been the decision-makers and who should have been bearing the risk?”

The Bank sees QE as a monetary operation and therefore one for it. But the Treasury, of course, provides the Bank with an indemnity for any losses. This suggests to me that this is a policy question as well as an operational matter, and I am surprised that there appears to be no established or regular mechanism between the Bank and the Treasury for looking at the fiscal risks involved in a policy that is as extensive as it has been.

Finally, the Bernanke report set out many criticisms of the forecasting hardware of the Bank and the failure to monitor and maintain some parts of it. Along with the noble Baroness, Lady Lane-Fox, who mentioned this, I find it deeply disappointing that some of the basics of model building and the handling of digital information should be ignored when the model itself is given such a prominent role. I hope that we will see the kind of investment that is needed there if we are to bring that into the modern age.

1.05 pm

Lord Frost (Con): My Lords, it is a pleasure to follow the noble Lord, Lord Burns, in this extremely interesting debate. I too thank my noble friend Lord Bridges for securing it, and all the committee members for their work on this thorough and interesting report. I congratulate my noble friend Lord Moynihan on his excellent maiden speech, with which, as noble Lords will hear, I have a good deal of sympathy in many areas.

I will make two points, one minor and one major. The minor point is one that other noble Lords have mentioned: the committee’s recommendations on the need for intellectual diversity in the Bank. It is still surprising that Bank officials and the MPC missed the significance of monetary policy in 2020 and 2021, and more intellectual diversity would surely have made this less likely. I would use the word “dismissive” rather than “defensive”, which my friend Lord Bridges used. The rather dismissive responses from the Chancellor and the governor suggest that they have not really taken this point on board. Indeed, perhaps they rather missed it by simply reiterating the existing processes and justifying them on the grounds of other kinds of diversity. As other noble Lords have said, since the report we have had the Bernanke review, with its heavy criticism of the modelling and forecasting, which perhaps reinforces the committee’s concerns. Perhaps the Minister, in responding, could indicate whether there is any chance of a rethink in this area.

I move to my major point. Although, like the committee and, I think, most noble Lords, I support Bank independence, one must acknowledge that, over

the last couple of decades, central banks have, in practice, come to enjoy great economic powers with rather little accountability, scrutiny or democratic legitimacy. That is not generally because the Government have chosen to give them these powers—in this country at least. The gradual widening of the Bank’s mandate, set out so clearly by the committee, is a consequence rather than the cause of this development. The real underlying cause is the mistakes in global economic policy-making over this period. I will take a moment to spell this out a little more deeply. In doing so, I am in part indebted to the analysis of my friend, the brilliant economist Bernard Connolly, in his latest book.

Central banks and Governments the world over are now in a very difficult position because of policy mistakes over the last couple of decades. In brief, in the late 1990s and early 2000s, the Fed, and other central banks following it, held rates too low for too long and generated an unsustainable boom. When this became obvious, central banks had a choice between creating a recession by raising rates to choke it out or avoiding this by pushing rates down. That was an extremely political choice for a central bank to have to make. There was only one possible answer it could give in a democracy: to push rates down. This in turn generated another bubble, the credit bubble, which fed through to asset prices, which in turn collapsed in 2008. Central banks faced the same political choice, and again pushed rates down, this time to zero or sub-zero.

In 2020, we had the third crisis. The same choice was faced and the same solution was taken. Although there has been much criticism of the Bank for its massive boost to QE in 2020, I do not entirely blame the Bank authorities. I have vivid recollections of the atmosphere of panic and crisis in No. 10 at that time, as the economy came close to having a heart attack. Hindsight is a wonderful thing, and I am not sure the central banks could have taken any other decision at that point. The question is more: how did they handle the consequences and how quickly did they realise that some unwinding was necessary?

The negative supply shocks plus the huge US fiscal stimulus—let us not forget that—meant that there was finally a feeding through to inflation, which has had to be choked off by an effort at normalisation. Of course, we now have a financial structure, as we discovered in 2022, that has become used to very low long rates and is vulnerable if there is a sudden adjustment towards equilibrium. Hence the current situation. What can we do about it?

We can look at our economic performance, and one conclusion that I, and I think others, draw is that western economies generally cannot live with interest rates that would have been considered normal a generation ago, unless there is huge fiscal stimulus. That is a very serious problem, which opens the question of how long central banks generally, and the Bank of England specifically, can sustain the current near-normalisation. The impact of the US stimulus is now weakening and, very soon, central banks will face the same choice once again: will they hold rates relatively high, at the cost of a recession, or bring them back down, as so many are now urging, at the price of sustaining the imbalances and building them up further?

[LORD FROST]

I have set this out at some length to underline just how political the decisions are that the Bank, and central banks generally, have had to take in recent years. Independent central banks may have started off as providers of inflation control services for Governments, but they now do much more than that. The political decisions that they have taken, in each case to defer difficult economic problems, have generated an environment in which we can only avoid liquidation and recession with super-low interest rates. Yet capitalism, as we have come to understand it, cannot function with super-low interest rates. The normal incentives do not work; there is malinvestment; asset holders are enriched and risk takers lose out; and—we are seeing this very much now—support for the system continually erodes, such that we have a whole generation now ready to take a punt on socialism.

Where do we go from here? I think that there are two routes. The first, which I think it is the route cautiously, or implicitly, suggested in the committee report, is to accept this status quo, recognise the broader political power exercised by the Bank and try to give it some enhanced democratic scrutiny from this Parliament. I understand the logic, but I am slightly unconvinced about the constitutionality of such arrangements. It seems to me that it is for the Government to get the relationship right with the Bank. That perhaps will, and ought to, involve more vigorous debate in public, within the framework of bank independence, than we have got used to. Then Parliament should scrutinise the Government on how well they are managing that relationship and its results, in terms of both fiscal and monetary policy.

I also fear the consequences of simply accepting the status quo. It is a palliative, and a fig leaf for a situation that is, as I have said, really very unsatisfactory. If we continue to repeat the cycle of the past couple of decades, we will end up with continued fiscal stimulus, ballooning debt, accelerating inflation once again, greater government control of the economy, greater direction of investment and business efforts and, in the end, very likely a quasi-socialist economic system.

The alternative is to try to roll things back, to limit the Bank to focusing much more narrowly and specifically on inflation control again, and to find a way of dealing with the economic consequences of the normalisation that would follow. This would at least be to deal with causes not symptoms, but to make it work would mean a major effort to raise the productive capacity and potential growth of this economy through a radical programme of, if you like, “recapitalismisation”—an ugly word, but an important reality. That would mean huge deregulation; a determined and sustained effort to get tax and spending down; and an end to the crushing burden of net zero, planning reform, labour market liberalisation and much more. Perhaps we will also get lucky with AI and it will, as so many hope, give us a magic free gift in productivity increase. I suspect, however, at least over our time horizon, that it is unlikely to do more than smooth off the edges of the turbulence of reform. Embarking on such a reform programme would, in my view, be the right thing to do, but it would require careful planning and a Government who were ready to explain

it, win a mandate for it and push it through. Noble Lords will have their own views on how likely such an outcome is.

To conclude, formal bank independence is one thing, and it is important, but the most important thing is to discuss, debate and engage with the underlying political and economic reality. No Government, of any political colour, can avoid that, or abdicate their responsibility for managing the economy with the central bank and ensuring proper democratic engagement in the consequences. We have not had that properly for some time, but we have some extremely difficult choices coming, so we will need it in future.

1.15 pm

Baroness Liddell of Coatdyke (Lab): My Lords, I compliment the noble Lord, Lord Moynihan of Chelsea, for a very interesting maiden speech. I am sure that we will hear an awful lot more from him in the months and years that lie ahead.

I must start with a confession: I took the Bank of England Bill through the Commons in 1998 and now, more than 25 years later, I sit on the Economic Affairs Committee. It is good to be able to look and see how the Bank has performed such a dramatic change of role, but particularly at a time when, as the report says, there is a real opportunity for change and to ensure that issues are dealt with in a more modern and inclusive manner.

The decision to give the Bank operational independence had not been announced during the general election campaign. I, as the brand new Economic Secretary to the Treasury—a job that I had not been shadowing, given that I was a comparatively new MP, having come in in a by-election—heard of it for the first time when the Chancellor announced it to the governor and his Treasury civil servants. I overheard one of them say, “This is what it feels like to be governed”. It was quite a dramatic turnaround. Fortunately, I had a background as an economist and economic reporter for the BBC, so I knew a little bit about it, but I had to get up to speed—so I convinced my old friend Alistair Darling to go for a Thai curry that night. The advice that he gave me was, “Watch the DMO—setting up the Debt Management Office is probably the most difficult thing that you will have to do”. I think that he was proved right. I think that I and some of the civil servants who worked on it made mistakes, because we did not fully understand how the market worked. That is my confession.

We nevertheless took the legislation through, and the independence of the Bank of England has been a very good success. There have been areas that have not worked out because of changing circumstances but, overall, it has ensured that political interference has more or less gone away—I will come back to that later. The Economic Affairs Committee is united in support for the preservation of that independence. There is, however, a recognition—as our chair, the noble Lord, Lord Bridges, pointed out—that public confidence in the Bank has fallen in the face of global and domestic instability, which has seen the Bank not meet the 2% target for inflation over the past two years. Errors in monetary policy have added to the

shocks brought about by Covid, Ukraine and international instability, although the Bank is not the only central bank that is having to deal with these issues.

There are a number of issues that are needed to restore confidence in the Bank, and we outlined some of them, but I want to concentrate on the relationship between the Bank and the Treasury, which the noble Lord, Lord Bridges, mentioned in his opening speech. There are challenges of groupthink. At various stages of my career, I have been part of the groupthink, and sometimes you have to find mechanisms to break out of it. I also want to look at the work of Dr Bernanke, who was commissioned to look at forecasting and whose report was published, as we know, a few weeks ago. I was very interested in what the noble Baroness, Lady Lane-Fox, said about the concentration he put on computers. I am more or less technologically illiterate, but even I knew that any big, world famous institution really had to look at modernising its computer systems, and I am shocked that that did not happen at the Bank and that Bernanke found that the Bank was behind the rest of the world.

When the noble Lord, Lord Macpherson, gave evidence to the committee, he brought along the letter sent to the Bank of England setting out the responsibilities of the Bank by Gordon Brown, as Chancellor of the Exchequer. The letter was one page and about four short paragraphs long; enough to make it clear that, in return for operational independence, the Bank had to meet the inflation target. He then produced the current letter from Chancellor Hunt, which was many pages long and added a list of issues the Bank had to “have regard to”, as we heard earlier. I could be unkind and say that this is virtue signalling, but, frankly, it did look more like a press release than a commitment to monetary and fiscal stability. George Osborne likened the “have regard” issues to a Christmas tree, and he has a point. One of our witnesses pointed out that the structure of DNA is fewer than 900 words—much shorter than the Bank of England letter.

I contend that the “have regard” issue is a diversion from the core work of the Bank. The chair of the Court, David Roberts, when he gave evidence, drew attention to 31 “have regards” that the Bank had to take account of. It is the job of the Treasury to develop fiscal policy and the job of the Bank to concentrate on monetary policy. They should not be jammed together as if it is an unsatisfactory mix and the Treasury is the boss. There has to be an atmosphere, first, of challenge, and, secondly, of putting to the people who know what they are doing one side of the job, and the people who know what they are doing, the other side of the job. That way will give a sense of reality.

There has been a lot of talk about quantitative easing. It has made the Bank and the Treasury much more dependent, blurring monetary and fiscal policy, and that leads to the need for a memorandum of understanding between the two organisations to move forward. Like other noble Lords, I have to ask why the Chancellor has refused to make the deed of indemnity public. It would be very valuable to see that deed of indemnity.

Underpinning this is the risk of groupthink. We know that there has to be a close relationship between HMT and the Bank, but it has to be an arm’s-length

exchange of views, rather than a dictatorial one, and it is beginning to look a little like a dictatorial one. I am not necessarily criticising the Treasury: I loved working in the Treasury and I am in awe of some of the officials I worked with—one or two of whom ended up as deputy governors of the Bank—but it is so important that that separation is remembered.

Finally, let me say that there needs to be a diversity of thought and culture within the Bank. Stephen King said that the Bank may be independent, but the Treasury casts a shadow over it. There has to be an independent review of how that can be addressed, and there should be, as Bernanke’s report and our report point out, a look at how other public appointments are made, looking for best practice. I think the number of non-executive directors on the Court of the Bank needs to be expanded, because you need challenge. Anybody who has run a reasonably big organisation knows how important challenge is, and there seems to have been an environment that limited the extent to which there could be challenge. I look forward to the future of the Bank. I think the claim for independence that comes out in the report, and came out in our witness statements, make it clear that it was the right decision at the right time.

1.25 pm

Baroness Noakes (Con): My Lords, I was a member of your Lordships’ Economic Affairs Committee when this report was produced last year, and I am delighted that my noble friend Lord Bridges of Headley has been able to secure this debate today.

As we have heard, the Bank of England acquired independence in relation to monetary policy as one of the Labour Government’s first acts in 1987. At the time, I was a non-executive director on the Court of the Bank of England and so had something of a ringside seat as this unfolded. It was hugely popular in the Bank and, I believe, with almost all the commentators at the time.

The Bank of England was not and is not completely independent of the Government. When it was nationalised in 1947, the Bank of England Act gave the Government various powers over the Bank, including the power to appoint the governor, the deputy governor—who was a singleton at the time, but there are now four—and its Court of Directors.

As was common for nationalisation legislation, which we have fortunately not seen much of in recent years, the Act contained a power of direction that can be exercised by the Treasury, although this does not extend to monetary policy. That power has never actually been used but, when I tried, during the passage of last year’s Financial Services and Markets Bill, to get the Treasury to give it up, it was absolutely sure it needed to keep it, so we must regard this power of direction as a live part of the constitution of the Bank of England. My point is that this means that the Bank of England has only qualified independence—but, importantly, the extent of its independence is in the hands of the Government and of Parliament.

Similarly, monetary policy independence is not absolute, either. The members of the MPC are appointed by the Government and statute defines the monetary policy objective—that of price stability. That is then amplified

[BARONESS NOAKES]

by letters from the Treasury which, inter alia, tell the Bank what price stability means: that is where we get the inflation rate target. This is just a roundabout way of saying that I do not think we should overstate Bank of England independence. It is not absolute but is always bounded by political decisions. I agree with what the noble Lord, Lord Burns, said about QE raising the important issue of whether further political decisions should be taken to change the scope of the Bank's independence as we define it.

Our report set out to find out how independence was working in practice. In the inflationary turmoil of the last few years, it is easy to forget that the UK experienced a relatively long period of low and largely stable inflation, from the early 1990s until 2020. It would be wrong, however, to give the credit for that to Bank of England independence. First, my noble friend Lord Lamont, as he explained earlier, introduced in 1992 the concept of publicly targeting the inflation rate. By the time the Bank was given independence in relation to monetary policy, inflation was already at its then target rate of 2.5% in terms of RPI. So the Bank did not bring inflation down. Secondly, as evidence to the committee made plain, there were other factors at play—in particular, the impact of globalisation, which created a benign price environment. None of our witnesses claimed that the years of low and stable inflation were down to central bank independence.

We also looked at the strength of the independence model in light of the inflation experience of the last three years, which has clearly been less than impressive. The model appeared to do well for the first 20-odd years, but more recently it has been tested and found wanting. There have been serious misjudgments about whether the inflation spike which emerged was temporary, and we are still a way off the 2% target, as the OECD charmingly reminded us this morning.

As we have heard, the Bank's forecasting record is not stellar. An independent review within the Bank in 2015 found that, while the Bank appeared to be in the pack with other central banks, its two-year horizon forecast—the important one in bringing inflation down within target—had, to use the bank-speak in which the report was written,

“statistically significant evidence of inefficiency”.

I think that means that the Bank was not very good at it, and its recent experience has raised even more questions.

As we have heard, last year the Bank commissioned an external review by Dr Bernanke, the former chair of the Fed. The Bank should take credit for that. The conclusion of the report was that the models needed a serious overhaul, and that it needed to move towards more scenario analysis and away from fan charts. However, the narrowness of its terms of reference, which has already been referred to, meant that it did not shed any real light on what went wrong.

As has already been referred to in this debate, several of our witnesses drew attention to what was happening to money supply—fuelled by the continuing QE—in the two years or so before inflation took off. But this barely got a mention by the Bank or MPC members at the time. Some serious thought about what was happening would have been useful, but the

Bank is part of a global central bank consensus that has largely ignored money supply for a considerable period of time. I was disappointed, but not surprised, to find that the Bernanke report made no comment on this.

The committee's conclusion that the Bank's independence should be preserved was in line with that of our witnesses, but I think the conclusion owes more to sentiment than to hard evidence of the success of the model. I am not arguing that monetary policy independence should be done away with, but we need to see it as a pragmatic judgment which suits politicians and central bankers alike, rather than one with a firm evidence base, and we should be prepared to modify what we mean by independence as new facts emerge.

Of course, the key issue becomes whether the accountability framework surrounding the Bank is strong enough to underpin continuing monetary policy independence. I believe that the Bank failed the British people when it let inflation get out of control, but what has happened as a result of that? The governor has had a few uncomfortable appearances before parliamentary committees, and he has had to write a few letters to the Chancellor. Who takes responsibility for the dire state of modelling found in the Bernanke report? Who carries the can for the damage inflicted on the economy from excessive inflation and the resulting interest rate hikes? It seems that no one does.

I believe that there is outstanding business here. The Government have confirmed their commitment to monetary policy independence, but independence cannot exist in a vacuum. The Government need to reflect on whether that independence has sufficient checks and balances built into it, because independence without strong accountability is a recipe for disaster. The modest recommendation in our report is for a five yearly review by Parliament, and that would be a very good start.

1.34 pm

Lord King of Lothbury (CB): My Lords, I too was a member of the committee that produced this report, and I declare an interest, in every sense of that word, as a former Governor of the Bank. In addition to welcoming the noble Lord, Lord Moynihan, I also pay tribute to the noble Lord, Lord Bridges, for his chairmanship of the committee, and the way he brought us all together when assessing the evidence from an impressive array of witnesses.

I want to make just three points. First, I believe that operational independence of the Bank has served the country well. When I joined the Bank in 1991, interest rates could change at any moment, on any day, at the whim of the Prime Minister or Chancellor. They often reflected political considerations. If a Budget was well received by the markets, the Government would reward themselves with a cut in bank rate. If circumstances suggested that a rise in bank rate would be sensible, it was postponed until after an election. I remember a meeting between governor and Chancellor—I stress not the noble Lord, Lord Lamont, but another Chancellor—where the Chancellor began the meeting by saying “I want to make it clear that there will be no rise in interest rates today, but having said that, I'd now like to hear the evidence”.

A much more systematic approach to monetary policy was adopted after our exit from the exchange rate mechanism in 1992 under the noble Lord, Lord Lamont. An inflation target was introduced, and monthly meetings were held according to a pre-announced timetable. The Bank had a genuinely free voice through its new quarterly inflation report. These were very important changes, but it was only with the announcement of operational independence in May 1997 that the risk premium in long-term interest rates fell sharply, as the belief that political motives would influence the degree and timing of interest rates was removed.

Several speakers have referred to the Bank's record since 1992, and there is no doubt that the noble Baroness, Lady Noakes, is right in stressing that it was not just in 1997 that the good inflation performance began; the Bank's record between 1992 and 1997 played a role in leading to independence. But in the past few years, that record has clearly been tarnished by the rise in inflation to a peak of 11.1%. That leads me to my second point, stressed earlier in this debate, about the lack of intellectual diversity on the Monetary Policy Committee. Over its lifetime, there has not been a real lack of intellectual diversity on the MPC. We have seen many split votes; I was in a minority on two occasions as governor. More recently, after Covid arrived, at the point when it really mattered, we did not see a good deal of challenge to the prevailing narrative.

There continues to be a good deal of disagreement on the causes of the recent rise and subsequent fall in inflation. But many economists, both here and in the United States, pointed to the likely impact of a very substantial monetary and fiscal expansion boosting aggregate demand, at a time when the measures introduced to counteract Covid were lowering aggregate supply. Too much money chasing too few goods is, and always has been, a recipe for inflation. It is troubling that not just on the Monetary Policy Committee, but also on the Federal Reserve Open Market Committee there were no dissenting voices to challenge the view that inflation was transitory.

This lack of challenge is certainly not confined to the Bank of England. The academic economics profession has essentially jettisoned the idea that, from time to time, one should ask what the growth rate of broad money was telling us, especially at a time when, as in the United States, it was rising at the fastest rate at any point since the Second World War. The excessive reliance on models that ignored money altogether was somewhat foolish.

In 2020-21, when inflation started to rise, there was not a single dissenting vote on the MPC and no mention of the monetary data in the Bank's reports. Bank rate exceeded its pre-pandemic level only in May 2022. I understand why this groupthink came about—because that had become an academic consensus—but, unfortunately, its impact on monetary policy led to the problems that we are now too familiar with.

Some commentators have concluded that a different way of presenting the Bank's forecasts might solve these problems—which, I think, was the implicit suggestion of Ben Bernanke's report—but the mistakes of 2020-21 were not the result of presentation. While the Bank used fan charts and the Federal Reserve used

dot plots, it did not make any difference; they both made the same misjudgment. What really matters are judgments about the state of the economy and the way that monetary policy works. Our recommendation is to focus on the need for genuine intellectual diversity and, to meet that point, reform of the appointments process to senior positions in the Bank.

My third point concerns the mandate and remit given by the Chancellor and Parliament to the Bank. Since 2013, the Bank has acquired responsibilities for prudential regulation of banks and insurance companies, and has an even wider responsibility for financial stability through the Financial Policy Committee. It is also the resolution authority for the United Kingdom. Those new tasks have increased the number of staff in the Bank from under 2,000 to over 5,000, with an inevitable reduction in focus on its monetary policy mission. As others have said, the expansion of responsibilities has gone further with the introduction into its mandate of issues such as climate change, the competitiveness of the City and other secondary objectives.

The expansion of central bank mandates makes it more likely that governors will start to behave as politicians and try to cultivate popularity through venturing into areas well outside monetary policy. Trying to keep inflation close to the target and maintaining the stability of the financial system is more than enough for one institution. As many of our witnesses pointed out, climate change policy is a matter for government, and, frankly, it is ridiculous to suggest that central banks can have any major impact on it. Therefore, there needs to be a cull of the additional secondary objectives, remit letters and “have regards to” obligations imposed on the Bank since independence was granted in 1997. Too many responsibilities make it difficult for senior people in the Bank to think strategically.

Concerns about the lack of intellectual diversity and the burden of excessive responsibilities are not arguments against central bank independence. Rather, they are the opposite: they point to reforms that can reinforce independence and restore the mission of the Bank of England to ensure the stability of prices and the financial system. Whichever party forms the next Government, I hope that it will take a careful look at our report.

1.43 pm

Lord Blackwell (Con): My Lords, I welcome the opportunity to contribute to this debate on the report from the committee of which I am honoured to be a member. I am also very honoured to follow the speech by the noble Lord, Lord King, who has a very distinguished record, and the excellent maiden speech by the noble Lord, Lord Moynihan.

Although much in the report is critical of the Bank of England, I will start, as others have, by recognising that the Bank is staffed by public servants who endeavour to do their best in the role that we have given them. The problem is ours, in that we have delegated responsibilities to them with expectations that are beyond what unelected officials can properly deliver.

The actions of the Bank in its control of monetary policy have huge implications for the state of the economy and the welfare of British citizens. Monetary

[LORD BLACKWELL]

policy has been given the sole target of controlling inflation, but it is an illusion to think that it can just act on inflation in isolation. By acting on interest rates and aggregate demand, the decisions of the Bank can create economic booms or recessions, can inflate or deflate asset prices with resultant changes in the distribution of wealth, and has a huge impact on the daily mortgage costs, interest payments and living standards of everyone in the country. Since independence, those critical decisions have been entrusted to a small group of unelected officials, who, because they are independent, are not subject to significant challenge or accountability from government or Parliament. It is the issue of accountability on which I will focus.

Putting such important economic decisions in the hands of expert officials might make sense if economics were a precise science. Unlike science, where the variables are inert agents that can be reliably modelled, the movement of the economy reflects the decisions and interactions of human beings and their expectations and state of mind, as the noble Lord, Lord Lamont, said. There is no equation that can reliably predict the kinetics of how an economy in disequilibrium will respond to specific policy initiatives or anticipate the impact of unknown world events. The search for a perfect forecasting model is doomed to failure.

In the absence of a perfect forecast, the decisions of the Bank of England require judgments about not just the forecasts but the potential risks and benefits of alternative actions on the population and its standard of living. One would think that such important trade-offs are properly the preserve of democratic institutions that are answerable to the public for their political choices. What is more, it is fanciful to suggest that monetary policy can operate completely independently of government fiscal policy, because, in the short term, the two economic policy levers impact on the same economic variables, either stimulating or contracting the real economy. The Bank of England's actions can work either with or to counteract the fiscal policy of the Government. If the two are not co-ordinated, we will not get the optimal outcome.

The Bank of England's decisions are therefore in many respects ultimately political rather than just technocratic judgments. It is not fair to ask unelected officials to take responsibility for political judgments, nor right or proper in a democracy with an elected Government. Government and Parliament exercise power over many other important policy areas, including national defence and the ability to declare war, so it is not clear to me why we entrust our elected Government with those decisions but feel it uniquely necessary to exclude them from this one component of economic policy.

Nevertheless, I accept that the doctrine of central bank independence is now hard to row back from, and I recognise that the idea that independence protects the economy from irresponsible government policies has been welcomed and is baked into the bond markets. Even so, it is not sensible or necessary for the two economic levers of monetary and fiscal policy to be decided at arm's length. We heard evidence in the committee that working-level engagement between the Bank and the Treasury is carefully controlled to avoid

any impression that the Government and the Treasury are seeking to influence the Bank. That is an unnecessary constraint.

During the 1990s, before Bank of England independence, I was fortunate to have been the Prime Minister's representative in the regular working meetings between the Bank of England and Treasury officials in the office of the then Permanent Secretary to the Treasury, now the noble Lord, Lord Burns. These allowed all the economic issues to be debated openly between the Bank and the Treasury, with all the relevant information. Although, as the noble Lord, Lord Burns, described, the final decision on monetary policy then rested on agreement between the governor and the Chancellor, any attempt to push the then governor, Eddie George, into going along with something he thought was improper would have been halted in its tracks by the threat of resignation, and I am sure the same would have been true of his successor, the noble Lord, Lord King. One step we can take is to break down the unnecessary Chinese walls and recreate sensible, open engagement between the Bank and the Treasury. I hope that my noble friend the Minister will take this on board.

I remind the House that, as the noble Baroness, Lady Noakes, pointed out, the era of low inflation was initiated during this period before Bank of England independence rather than being a consequence of independence. If we are unable to unwind the Bank of England's independence, we should consider how we can make the appointed officials more accountable to Parliament for their decisions.

As others have set out, the Bank has not had a glorious record in recent years, underlining the need for greater scrutiny and accountability. I argue that, based on the previous governor's theory of excess global savings, interest rates were kept too low for too long in the years before the pandemic, which, together with a huge increase in money supply through QE, led to unsustainable increases in asset prices. The messaging that low interest rates were the new norm also led individuals to take on borrowings that left them cruelly exposed. As a result, it is arguable that the delayed high-scale increase in rates that the Bank then had to adopt was also more damaging than it needed to be. Like any system, the reaction of the economy to a sudden, large shock is more violent and damaging than a gradual change that gives people time to adjust their finances.

Since the trigger for inflation was the massive increase in external prices from the pandemic and the war in Ukraine, real incomes and aggregate demand had already been depressed. If the inflation was not initially caused by excess demand, although facilitated by the money supply, the conventional theory that a further squeeze on living standards was required is itself open to debate. We no longer include mortgage costs in the favoured consumer prices index, but the rapid, steep rise in interest rates, by contributing to pressures on household incomes, may itself have been a factor in increasing pressure for higher wage increases. In short, the Bank of England's actions may well have been responsible for a larger, longer and more painful drag on the economy and living standards than could have been achieved with different policies and different judgments.

Since the Government cannot be the judge for the actions of an independent Bank, that task must fall to Parliament. As set out in the report, there is a strong case for more effective parliamentary scrutiny, including a five-yearly review and perhaps a Standing Committee of both Houses, with permanent technical support that can engage in a more timely way and satisfy itself that the full range of options and implications have been properly considered. I would go further and suggest that in holding the Bank to account for its actions, such a committee could have the remit to report to Parliament if it no longer has confidence in the Governor of the Bank of England. The structure of parliamentary accountability may not be within the control of my noble friend the Minister, but I hope the Government will lend their support to such proposals.

In conclusion, I accept that these suggestions may not be welcomed by those who hold Bank of England independence as an act of faith, but the extent of the delegated powers now exercised by unelected officials without proper accountability cannot be right. If we cannot reverse that decision, we must take action to enable it to operate with a framework that provides better democratic control.

1.52 pm

Baroness Bennett of Manor Castle (GP): My Lords, I thank the noble Lord, Lord Bridges of Headley, for introducing this debate and thank the Economic Affairs Committee for its report, some of which I agree with and some of which I strongly disagree with.

There are two themes in my remarks, addressing two key elements of the committee's report: the lack of intellectual diversity in the Bank and its climate remit. I must begin by noting the lack of diversity in the discussions in your Lordships' House today. I would love to see more noble Lords who focus on poverty, workers' rights, the environment and the place of small and medium-sized enterprises and regional economies in debates such as this. There has been a high degree of groupthink in our debate today—that is true across our politics, of course, and there is a lack of democracy across all our structures. I acknowledge that I am addressing these remarks to noble Lords who are not in this Chamber rather than those who are here and speaking today.

I want to address the committee directly, because I took a careful look at the list of those who gave testimony to it. One name stuck out—Positive Money—on whose works my remarks today draw, but other than that, I find it curious that no name that leapt out at me was a climate expert or a climate finance expert. I found no reference to the committee consulting with our own Environment and Climate Change Committee. I respectfully put to the committee that in future, if it is going to comment on climate issues and make them a central part of its report, it might want to focus on more diverse testimony.

That is in the intellectual context in which debate on the Bank of England is highly siloed. If we look at much of the commentary around the actions of the Bank in 2021 and 2022, the criticism that we have heard very often today is that, as inflation reached its peak, the Bank was too slow to act. However, interest

rate rises cannot address the main driver of the inflation that we have seen—that is, the dependence of our economy on fossil fuels that are priced in a highly volatile way. Much of the criticism and some of what we have heard today has been based on the flawed theory that inflation has been due to a wage-price spiral.

It is too often ignored that rate hikes have highly unequal impacts. They attempt to bring down inflation by reducing spending. The poorest and most indebted are the most affected, while the incomes of those with savings and the profits of the banking sector are increased. Crucially, in the climate context, the rate rises have added to the downside of the investments that we desperately need, because many green projects require a large amount of upfront investment, despite the fact that we will all profit from the cheaper prices of the energy generation of the reductions in bills from insulation, et cetera. Also, we live in a society of crumbling infrastructure—housing, roads and many other issues.

The commentary of the Lords committee, with which I respectfully disagree, suggests that giving the Monetary Policy Committee and the relevant policy committee a remit on climate change risks drawing the Bank into the Government's wider policy agenda and jeopardises the Bank's ability to prioritise price and financial stability. It is worth going into the history of this. It is a demonstration that campaigning works that, in 2021, the Government's target of reaching net zero was included in the Government's letters to all key policy-making committees for the first time. It was a step signalling the Government's support for ambitious action to steer the financial flows away from harmful sources such as fossil fuels and towards green and sustainable industries.

Critics will say, and I would entirely agree, that central bank policies alone are no silver bullet for environmental crises, but central banks have a central role. Think of those core priorities—those objectives of price and financial stability. There is no stability on a dying planet. The economy is a complete subset of the environment, 100% dependent on it, rather than on complex equations unattached to the real world or assumptions that all resources are either infinite or replaceable. No, they are not. The practical reality is that the UK financial sector continues to pour money into new fossil fuels despite the reality of the carbon bubble and the huge financial risk that represents, while relying on climate risk models that fundamentally do not accurately translate into the complexity of the financial risk. That is looking only at climate. I would also point to the fact that the Bank needs to look more widely at all the other planetary boundaries that we have exceeded. We are seeing a great deal of focus at the moment on novel entities—pesticides, pharmaceuticals and plastics—and there are huge financial risks in that area as well.

To put this in a broader frame, the UK financial and economic system remains highly vulnerable to “fossilflation” while at the same time the impacts of climate change, such as on our food supply, are already causing “climateflation”. I coin another word, “shockflation”. We are in an age of shocks—the

[BARONESS BENNETT OF MANOR CASTLE]
geopolitics are very obviously extremely unstable—and all these things must be considered in the round rather than simply looking at the economy as a set of equations sitting outside this.

We also have too much finance, too much money going into the financial sector rather than the real economy, just as most of the money from quantitative easing went into raising inequality, making the few richer and the rest of us poorer—much as it was needed, at least at the start, to tackle the chaos created by the greed and fraud of the bankers. The Bank, the Treasury and the Government are far too dependent on failed, outdated models and mathematical equations which bear no resemblance to the real world.

I move to the present day and the open letter, dated 16 March, referring to the remarks made by the Governor of the Bank of England to the Lords Economic Affairs Committee, that the Bank has reduced its resourcing for climate emergency work, to which the noble Baroness, Lady Lane-Fox, referred. The timing of these remarks—this action—could not be worse in a world that is on fire, awash and melting. I have a direct question for the Minister and, indeed, the Labour Front Bench. Will they support the calls by so many eminent economists in a letter—I declare that the Green Party's spokesperson, Molly Scott Cato, was among the signatories—to reprioritise work in the Bank to align the financial sector with the Government's climate goals, reversing the resource cuts and to reassert the Bank of England as a climate leader, as a matter of urgency?

I shall briefly address the issue of the Bank's intellectual diversity. It is not independent of failed ideology and a discipline that has simply run out of road. During the 2016 Brexit referendum campaign, I suggested to my now-House colleague, the noble Lord, Lord Cameron, that the remain campaign should stop saying "economists say", because no believes them, and that is even more the case now. Neo-classical economics is the absolute opposite of systemic thinking; we need systematic, scientific, sociologically and politically literate thinking in the Bank and Treasury and across government. We are in the age of post-growth; not only can we not have infinite growth on a finite planet but we will not have growth in at least the coming decade. To quote the IMF chief, the "tepid twenties" are with us.

On diversity, they will not thank me for this, but I will suggest some names that the Bank of England should start drawing on: Jason Hickel; Kate Raworth; Julia Steinberger; Ann Pettifor; Tim Jackson and Judith Kirton-Darling. All of them spoke at the post-growth conference in the European Parliament last year that was backed by all but the far right group there. I shall hazard a prediction that there were several future economics laureates speaking there, with original thinking that is lacking in what is regarded as the economic mainstream.

I will quickly raise one final issue with the Minister. The New Economics Foundation states:

"The government could save £55bn over the next five years if it limits the amount of money the Bank of England pays interest on to commercial banks ... The Treasury will pay out over £150bn to the Bank of England to fund its payments to the banking sector by 2028, this on top of the £30bn already paid out in 2023".

Surely, this is something that other countries are not doing and that we did not do in the past, which we can reverse?

2.02 pm

The Earl of Effingham (Con): My Lords, I would like to thank my noble friend Lord Bridges of Headley for securing this important debate. I would also like to congratulate my noble friend Lord Moynihan of Chelsea on his excellent maiden speech. I have already enjoyed several discussions with him, and I am very much looking forward to all his future contributions. I should also highlight my entry in the register of interests.

I count myself extremely lucky to have worked in financial markets for 25 years, during which time I have had the privilege of working with some of the brightest individuals in the country, including a former employee of the Bank of England. It was essential in my role to understand and be able to explain currency forecasting in both the short, medium and long term. As anyone who has been involved in currency forecasting, or indeed any other type of economic modelling will know, it is notoriously difficult. Alan Greenspan, when he was chairman of the Federal Reserve in the 1990s, set his researchers the task of examining foreign exchange rates and, having number-crunched 30 years' worth of data, they concluded that it was impossible to predict. It was therefore of interest to me that the committee report suggested that a lack of intellectual diversity at the Bank contributed to a misdiagnosis of recent inflationary pressures, as well as inadequate forecasting and modelling techniques. I agree with the report wholeheartedly: it is incredibly important to have a diverse range of personalities, backgrounds and experiences of both women and men that runs true in any business and board of directors.

However, as I hope I have demonstrated briefly to your Lordships, economic forecasting is challenging at the best of times. Even if you did have a different membership make-up, which is a key recommendation of the report and should happen regardless, the likelihood of forecasting outsized shocks to the system may increase only marginally.

It is a fact that many central banks other than the Bank of England did not see inflation coming as aggressively as it did. That is confirmed by Ben Bernanke's review, published last month, when he said:

"A comparison of forecasting performance shows that virtually all forecasters—both in central banks and outside—failed to anticipate in a timely way the dramatic economic consequences of the post-2019 shocks".

Therefore, on the basis that it is extremely difficult to forecast economic outcomes correctly, it would be highly beneficial if the Bank could provide the public with regular and alternative scenario analyses, aside from its main forecast, potentially as well as a dot plot. Primarily, it would demonstrate that the Bank is aware of and preparing for a variety of different shocks and, as a result, is sparking diversity of thought within the organisation and addressing preventive measures. Additionally, given that financial markets hate uncertainty, it provides those participants with the necessary information to apply a more balanced approach to their own potential future exposure models in different asset classes. Lastly, it encourages a more

regular two-way dialogue and relationship between the Bank and its external stakeholders, which is critical. It is essential to build that relationship, communicate openly and challenge constructively where appropriate.

I will also briefly highlight stress testing within forecasting. Last Wednesday, the headline on the front page of the *Financial Times* read:

“Lenders are in the dark over private equity risk, Bank of England warns”.

The article continued:

“Exposure stress tests lacking ... BoE regulator ... said yesterday that lenders should routinely stress test their exposure but ‘hardly any banks do it well’”,

referring to private equity exposure. It is of course entirely correct to say that firms should routinely stress-test their exposure; it is best market practice. But it is also essential because so-called black swan events are no longer a rare occurrence. Since the global financial crisis, we have seen the ensuing Eurozone crisis, the unpegging of the Swiss franc, Brexit, the pandemic, the war in Ukraine, the September 2022 fiscal event and heightened geopolitical risk in the Middle East. Financial risk is omnipresent.

However, the Economic Affairs Committee report referred to Dr Bernanke, who found that:

“Some key software used in preparing the forecasts is out of date and lacks important functionality”

because

“insufficient resources have been devoted to ensuring that the software and models underlying the forecast are adequately maintained”.

If we follow the Bank’s premise that everyone must stress test well, which we should, it is vital that the Bank itself allocates sufficient resource and headcount to guarantee that it is employing up-to-date software and models.

Finally, the Bank plays a crucial role for every person in this country. That is an extremely powerful office of authority. It is right that it should be independent to ensure financial stability and confidence in the UK economy, which has multiple ancillary benefits to the population. However, as the report notes, that power is concentrated among a small group of individuals. I suggest that the Bank is as powerful as and has more responsibility than any of the largest listed companies in the UK, but they are answerable to shareholders. In this case, the shareholders of the Bank are the people of the UK who are, in turn, represented by elected government officials. While we must retain the independence of the Bank in setting monetary policy, we must also ensure that it is accountable to its shareholders.

I therefore ask my noble friend the Minister whether the Government will encourage the Bank, as a matter of urgency, to replace its out-of-date software and functionality for forecasting and stress testing. Will they ensure that the Bank allocates resource internally to provide the public with both more regular and supplementary forecasting scenario analyses? Lastly, will they encourage the Bank to complete, within an agreed fair and reasonable timeframe, the recommendations that came out of Dr Bernanke’s review?

2.09 pm

Lord Turnbull (CB): My Lords, I thank the noble Lord, Lord Bridges, for his skilful chairmanship of the committee and the support we had from the staff. I congratulate the noble Lord, Lord Moynihan, on shoeorning so many interesting insights into the conventional constraints of a maiden speech.

In many ways, this was a difficult investigation. Serious criticism was made of the Bank’s performance by many serious people, particularly for the period 2020 to 2022. The focus of concern was that inflation, which had been kept close to 2% for over 20 years, suddenly took off and the Bank appeared to have lost control. By contrast, virtually no one advocated withdrawing operational independence, dropping the inflation target or even recalibrating the target. At least for now, the priority for the Bank was seen to be to rebuild its credibility by getting inflation back to 2% before looking at anything else.

What concerned the EAC was that we were repeatedly told by people in the Bank that there was always robust debate in the MPC, and alternative views were expressed. In March 2020, the Bank rate was reduced to 0.1% and no change was made to interest rates for 18 months, until December 2021, and at that time all votes were unanimous. During this period, inflation rose from 1.5% to around 5%, on its way to a peak of 11%, before the Bank reacted, and even then it reacted only cautiously. Where was the robust debate? In economics there is the concept of revealed preference: look at what people do rather than what they say.

The dominant narrative was that, after Covid, the economy was teetering on the verge of recession and inflation was likely to stay low. The forces that had pushed prices up were labelled as transitory: once the initial hit had ended, inflation would return naturally to its previous level. What this narrative missed was that there was a different story to be told: the sharp rise in inflation reduced the incomes of families and companies, and they would be anxious to try to recoup these losses, although in doing so they would perpetuate inflation. Also, during the Covid lockdown, people’s and companies’ bank balances—that is, broad money—increased substantially, so as soon as they were released to do so, households and companies started to spend again and had the money to do so. This was before supply chains could be fully restored. The result was a sharp rise in inflation which is taking time to be brought under control.

What we have seen would be regarded as groupthink. Was there enough diversity within the MPC to explore different scenarios, raising questions about the process by which members are selected? They say nostalgia is not what it used to be, but has the inaugural MPC appointed in 1997 ever been bettered for its range of experience?

In his memoirs, the late lamented Lord Lawson regretted the fact that, in 1988, he had underestimated the strength of the recovery and the upward pressure on prices. He particularly regretted the use of the word “blip”. Did the present Governor of the Bank of England make the same mistake with his use of the word “transitory”? How was it that there was so much focus on the narrative that interest rates needed to be

[LORD TURNBULL]

kept low and so little attention to an alternative scenario in which, with supply lines disrupted, this sharp increase in spending would lead to a sharp increase in inflation?

The answer may be found in the report the Bank commissioned from Dr Bernanke on its forecasting. In it he drew attention to the excessive focus on a central forecast and the lack of investigation of alternative narratives. We should bear in mind the maxim of George Eliot: prophecy is the most gratuitous form of error. Dr Bernanke's recipe for this was that alternative scenarios should be looked at more, as the Bank had failed to realise that we were in a different world and that it was not in Kansas any more.

In mitigation, the Bank has claimed that it did no worse than other central banks. This may tell us that there was groupthink within not only the Bank of England but the community of central banks, all of which bought in heavily to the idea of a transitory inflation increase, while their economies were teetering on the edge of recession.

One of the issues addressed in the EAC report was the way the remit letters of the MPC, FPC and PRC expanded, with a proliferation of secondary objectives to be taken into account and have regard to. The danger of this was that the focus on the primary objective—containing inflation—would be diminished, and management of resources would be spread more thinly. We therefore recommended that these remit letters should be pruned—in particular, that the references to the Government's objective of net zero should be taken out. A number of our witnesses argued that the Bank had no instruments that could be brought to bear on the net-zero objectives, and that this should be left to the Government. In response to our report, the Chancellor agreed with this recommendation, although this has brought howls of protest from environmental interests—more of which we heard only two or three minutes ago. In our session with the Chancellor, we urged him to go beyond a light trim of the remit letters, and to see whether more radical pruning could be undertaken.

One of the trickiest issues we encountered, and to which we were unable to develop a conclusive response, was the relationship between fiscal and monetary policy. In 1997, it all looked remarkably simple; the Treasury was responsible for fiscal policy, and as a result took over responsibility for debt management, and the Bank was responsible for the operation of monetary policy and decisions on interest rates. In retrospect, this clear separation was an oversimplification. As the noble Lord, Lord Blackwell, has pointed out, monetary policy has effects on the economy similar to fiscal policy, and vice versa.

The use of QE has muddied the waters further. Although decisions on the quantum of QE were ostensibly taken by the Bank as extensions of its responsibility for monetary policy, this has had a major impact on the distribution of income and wealth in society, normally regarded as concerns of fiscal policy. QE raised the value of assets for those who possessed them, and increased the cost of acquiring assets for those who did not have them, such as first-time buyers. QE has had major effects on the structure of UK debt, making

it much more vulnerable to movements in short-term interest rates. The long length of UK maturities had always been regarded as a major advantage of UK debt management. As QE is unwound, there will be major losses, the cost of which will fall to the Government. We need better information on what those costs are.

I was surprised that both the Treasury and the Bank clung so vehemently to the doctrine that fiscal policy was the Treasury's domain and monetary policy was the Bank's domain, despite the fact that the policy of each had implications for the other party. Looking again in history, I am reminded that in 1993 the then Chancellor, now the noble Lord, Lord Lamont, consciously undertook an exercise of rebalancing, because it was felt that our membership of the ERM had forced us to hold interest rates higher than the economy required, and that at the same time fiscal policy was too loose. There was a conscious effort to ease monetary policy while tightening fiscal policy.

The process of looking to find the optimum balance of policies will be more difficult to achieve if each party sticks rigidly to its own domain. Maybe what is happening is that the Chancellor wants to avoid any possible submission that he is leaning on the Bank to keep interest rates low in order to reduce the Government's own debt servicing costs. But this pursuit of virtue has the disadvantage that collaboration between the two institutions is made more difficult. As I said, the committee was unable to resolve this conundrum, so it remains in the to-do box of both institutions.

2.19 pm

Lord Northbrook (Con): My Lords, I warmly welcome the report of my noble friend Lord Bridges's Economic Affairs Committee. I will first look at the recommendations, and the Bank's and the Government's reactions to them. I will then consider the review by Dr Bernanke into the Bank's forecast process, and finally give some thoughts of my own on recent years' inflation and interest rate rises.

As the report states, the then Chancellor, Gordon Brown, set up this new operational independence after the 1997 general election. This had worked well up until 2021, and inflation and interest rates had been kept low.

The committee focused first on the interaction of monetary and fiscal policy. I agree with its recommendation that there should be

"clear lines of responsibility and effective communication between the Bank and HM Treasury",

especially that HM Treasury should promote

"a fiscal stance which supports the inflation target it has set the Bank",

particularly when interest rates are close to zero and the Bank has limited space to loosen monetary policy further. I especially support the committee's view that quantitative easing had

"blurred the lines between monetary and fiscal policy".

The report states that although QE was undertaken as a monetary policy decision, it had consequences for the management of public debt, so I endorse the report's suggestion that the Bank and the Debt Management Office

“should draw up and publish a memorandum of understanding which clarifies how the interaction between monetary policy and debt management should operate”.

With regard to the Bank’s remit, I agree with the committee’s conclusion that it had been at risk of being asked to do too much. It should not, as the report says, need to expand it to government policy on climate change. I am completely supportive of the report’s view that giving the Bank’s Monetary Policy Committee and Financial Policy Committee multiple secondary objectives to consider risks drawing the Bank

“into the Government’s wider policy agenda”

and

“jeopardises the Bank’s ability to prioritise price and financial stability”,

which are the primary objectives of the MPC and FPC respectively.

I will move on to the topic of diversity of thought. It is interesting that the committee highlights evidence from witnesses who suggested that a lack of “intellectual diversity” at the Bank contributed to the misdiagnosis of inflation being transitory as it rose from 2021. I approve of the recommendation that

“it is imperative that its membership comprises people of different backgrounds and economic perspectives. The Bank must be pro-active in encouraging a diversity of views and a culture of challenge. This should be reflected in its hiring practices and its appointment procedures”.

I highlight the committee questioning that HM Treasury leads the process for appointing members of the MPC and that many of the appointees have a Treasury background, which

“does not strengthen the perception of independence”.

I approve of the recommendation that HM Treasury and the Bank’s Court of Directors commission an independent review of the appointments process to consider how public appointments are made, what best practice was for other central banks, and to propose measures which ensure that the appointments process is transparent.

Moving on to the subject of forecasting, the report also highlights the role of inadequate modelling techniques in misdiagnosing the rise in inflation. It suggested that this error, made by other central banks as well as the Bank of England, may have reflected a general reliance on dynamic stochastic general equilibrium models. Witnesses argued that, because these models assume that “inflation expectations” play a significant role in determining inflation and that central banks are assumed to be able to effectively influence those expectations through their actions, they tend to predict that inflation will return to its target role over the forecast period. However, although these underlying assumptions may hold in times of economic stability, witnesses suggested that they were unlikely to be valid during periods of significant economic change, leading central banks to underestimate the strength and persistence of inflationary episodes.

Turning to the subject of accountability, I do not agree with the report’s recommendation that the Bank’s actions should be regularly scrutinised by Parliament.

The danger of this is that short-termism could re-emerge in its actions. However, I am content with the proposal that

“Parliament conducts an overarching review, supported by expert staff, of the Bank’s remit, operations and performance”

every five years.

The Bank of England’s response of February to the report is very disappointing. The governor, Andrew Bailey, seems to brush aside most criticism or advice, except emphasising that the Bank does focus on its primary objectives.

The Government’s response contained two interesting reactions. The Chancellor said that monetary policy and debt management

“remain distinct areas with separate mandates, responsibilities, and decision-making processes”.

He said that the framework for debt management

“has not changed as a result of developments in monetary policy”

over recent years, such as the introduction of QE. However, he noted that the Government and the Bank were “mindful” of the potential for quantitative tightening to interfere with the debt issuance programme conducted by the Debt Management Office. He noted that the Bank was liaising with the DMO to minimise this risk, in line with a commitment made to the governor in a public letter to the then Chancellor in 2020. Secondly, the Government seem to have taken on board the report’s recommendation that the Bank should not need to focus on subjects such as climate change.

I now move on to the review by Dr Bernanke of the Bank’s forecast process. The review found that the accuracy of the Bank’s economic forecast had

“deteriorated significantly in the past few years”

and noted that

“forecasting performance has worsened to a comparable degree in other central banks and among other UK forecasters”

over the same period.

The review made criticisms in three areas. First, it found that some of the Bank’s key forecasting software was

“out of date and lacks important functionality”.

Secondly, Bernanke suggested that the Bank relied on human judgment to

“paper over problems with the models”,

given the Bank’s bias towards

“making incremental changes in successive forecasts”.

He argued that such an approach was slowing

“recognition of important structural changes in the economy”.

Thirdly, he said that the Bank relied too much on its central economic forecast in communicating its outlook and policy decisions to the public. Fourthly, and most importantly, he recommended that the use of

“fan charts to convey the range of uncertainty”

in the central forecast should be dropped. We await the response of the governor to the review.

Finally, these are my thoughts on what is not in the report and is overlooked by the review. I am afraid that the MPC and the governor were asleep at the wheel. At the Society of Professional Economists dinner in September 2021, when inflation was at nearly double

[LORD NORTHBROOK]

its target, the governor said in his speech that the rise was transitory. I note the special circumstances of Covid and the Ukraine war, but why did the MPC not consult the regional offices to see what was going on on the ground? I was doing a building project at the time and suddenly realised that the cost of bricks, plaster, glass and render was rising in an extraordinary way and they were difficult to get hold of. While I am not an economist, I feel that QE was kept on for too long. As many noble Lords have said, the governor should have paid more attention to the money supply increase that presaged the major inflationary climb in the late 1980s and raised interest rates earlier, which would have limited the rise in inflation.

2.27 pm

Baroness Kramer (LD): My Lords, first, I congratulate the noble Lord, Lord Moynihan of Chelsea, on his maiden speech. He speaks with great expertise. I suspect that occasionally we will agree, but frequently we will disagree, but that is the purpose of the House.

I was privileged to be on the Economic Affairs Committee when it developed the report and so this is my opportunity to thank our chair, the noble Lord, Lord Bridges of Headley, for his outstanding leadership on this and other issues. I miss participating in the EAC.

I will speak later about accountability and the lessons that we have to learn that are embedded in this report and the Bernanke report. But to my surprise, I think it is very important that I first state clearly and unwaveringly the support of my party for an operationally independent Bank of England. It seems to me that in the debate today that has been called into question—along a spectrum, perhaps with the noble Lords, Lord Frost and Lord Blackwell, at the more extreme end—but it is crucial if we are to have credibility in domestic and international public markets and with the public at large. If there is one body that the public mistrusts more than the Bank of England, it is certainly politicians. I thank the noble Lord, Lord King, for giving us in great detail examples of how it is just impossible for anyone at a senior level in politics not to seek to manipulate issues such as interest rates and inflation when there is electoral and political victory at stake.

As I said, the report contains many recommendations that I hope will be taken up. The one that captures me the most, and this was picked up by virtually every speaker, is the issue of groupthink. The noble Earl, Lord Effingham, quoted Ben Bernanke, whose observation that the Bank's

“deficiencies were characteristic of the central banking community in general rather than the Bank alone”

speaks to the broad groupthink that affected the whole central banking community globally.

I fully endorse the recommendations in our report for more diversity of thought at the Bank and the proposal that the Court of the Bank should play a stronger oversight role. Back in 2016 I opposed the Government's decision to reduce the number of non-executives on the court and abolish its oversight committee. It is now vital that challenge be brought back into the system, at both court and monetary policy level. I will

talk about accountability later, but the element of challenge is vital. It is just improbable that people of sufficient calibre and expertise, across a variety of thought, cannot be recruited into the various and appropriate bodies within the committees of the Bank.

I turn to the Bernanke report. Like the noble Baroness, Lady Liddell—and the noble Lord, Lord Lamont, may have said the same thing—I was shocked to realise just how out of date the tools are that underpin economic forecasting at the Bank. For those who have not read the report, the phrases include:

“Some key software is out of date and lacks functionality ... insufficient resources ... makeshift fixes ... unwieldy system”.

That is really quite damning. How we got here I do not know, but I suspect that everyone in the House would agree that it needs to be changed quickly, and the noble Baroness, Lady Lane-Fox, is certainly someone I would turn to for advice in this arena.

Once we got a grip on the fact that the forecasting is inadequate at present, I began to have some understanding of why neither the Bank nor the Treasury seems to capture and understand the risks of continuous quantitative easing, including the fiscal implications of, in effect, swapping nearly half the public debt overnight from long-term fixed rates to volatile rates, halving duration and aggravating asset inflation. We have to recognise that quantitative easing was a vital tool in dealing with liquidity problems, certainly after the 2008 crash and in the early days of Covid, but it is not an elixir to drive forward economic growth. That issue should have been caught if we had had much better forecasting and ranges of scenarios as well as diversity of thinking.

We now face quantitative tightening at a time when the Treasury is also issuing high levels of public debt and one of the major purchasers of gilts, the DB pension funds, have far less appetite for those instruments. We are in a difficult place, and it is going to take some time to unwind all this. I go back to the argument that these issues need to be resolved by the Bank objectively looking at the economy, not by political interference.

As well as fixing the system at the Bank, we have to ensure that the Treasury and the Bank can at least communicate properly with each other, without compromising the Bank's independence, to ensure that fiscal policy and monetary policy are made with an understanding of what is happening in each arena. As our report says, that co-ordination responsibility falls primarily with the Government; they set the inflation target for the Bank and control fiscal policy. However, as we took evidence, I could not see any clear lines of responsibility or clear communication mechanisms. It seems to me that the issue is handled largely informally, and I think we would all ask for more clarity. I strongly endorse the report's recommendation that the Bank and the Debt Management Office of HM Treasury should publish an MoU on the interaction between monetary policy and debt management. Like the many others who have said this, I simply do not understand why the Treasury does not publish the deed of indemnity—that is completely beyond me.

Our report—this is where I probably differ from some others on the committee—focuses quite strongly on the remit of the Bank, which has of course expanded

significantly in recent years, and recommends far more transparency and debate around that remit, especially in Parliament. I agree with that process of debate and transparency, but I think this issue is getting seriously overplayed. Staff and resource the Bank properly and, it seems to me, it can cope with more than a single remit. In terms of shaping our economy to tackle climate change, I would be very worried to see the Bank of England step out of that arena in the crisis that we face.

Let me close on the issue of the accountability of a body as central as the Bank is to the functioning of our economy. Independence is not in conflict with accountability; for that reason, I believe that aspects of the work of the Bank should be looked at by our new Financial Services Regulation Committee. That committee is a significant step forward, but the Bank could make that work, and parliamentary scrutiny, easier if it effectively ensured a flow of information to us. Information seems to come out in unquestioned bites or has to be extracted through very brief committee evidence sessions. I would like to see a much more open and constant flow of information. For example, in the case of quantitative easing, it could have helped Parliament greatly had we had a detailed discussion of the economic risks from significantly expanding the Bank's balance sheet. To do that, we have to have a committee that is properly resourced and powerful.

I very much agree with the noble Lord, Lord Bridges, that Parliament has a responsibility, as a whole, to step up its level of oversight. I hope we will seize on that. I hope indeed that the Government, and all sides of this House, will provide support to the proposal from the noble Lord, Lord Bridges, and the committee that we have a detailed five-year review, so that this discussion is regularly in front of us. Also, there should be no no-go areas. Why should we not discuss issues such as the inflation target? Discussion and challenge are very different from political interference and taking over control. Because we know that there has been a failure to provide diversity in appointments, it also seems to me that somehow bringing Parliament into some element of a confirmation process makes a great deal of sense.

I believe that there is a lot we can do and lessons that we can learn. I very much endorse the support of the committee and I am pleased we have got the Bernanke report. I wish it was all being taken a bit more seriously by both the Bank and the Government. Again, I thank the committee for the privilege of allowing me to have been one of its members.

2.37 pm

Lord Livermore (Lab): My Lords, I congratulate the noble Lord, Lord Bridges of Headley, on his opening speech. I thank him and the Economic Affairs Committee for their report into an independent Bank of England. It is a pleasure to speak in such an illustrious debate today, alongside so many distinguished and genuinely expert noble Lords. It was a particular pleasure to listen to the noble Lord, Lord Lamont of Lerwick, whose reforms as Chancellor laid some of the groundwork for independence. I join others in also congratulating the noble Lord, Lord Moynihan of Chelsea, on his maiden speech.

This report from the Economic Affairs Committee marks the 25th anniversary of Bank of England independence, which the committee described as an appropriate time to review the operation of the framework first set out in the Bank of England Act 1998, taken through the House of Commons—as her excellent speech reminded us—by my noble friend Lady Liddell of Coatdyke. I consider it a privilege to have worked in the Treasury for the Chancellor who introduced operational independence with respect to monetary policy. The committee quotes Gordon Brown's reasoning for this move:

“we will only build a fully credible framework for monetary policy if the long-term needs of the economy, not short-term political considerations, guide monetary decision-making. We must remove the suspicion that short-term party-political considerations are influencing the setting of interest rates”.

Those words, as the noble Lord, Lord King, made clear, have proved to be correct.

As a result, there is now a broad consensus in favour of retaining independence, and it has become one of the most enduring reforms of the new Labour Government. Indeed, in the Government's response to this report, the current Chancellor stated that he remains “fully committed to monetary policy independence”.

The committee's report bears out this consensus, while rightly acknowledging that external factors, such as globalisation, have contributed to favourable conditions over this period. The report states:

“For much of the past 25 years, the enhanced credibility of monetary policy brought about by independence has contributed to a low inflation environment. The absence of political interference is seen by many as a major component of stable inflation expectations”.

The report also confirms that the majority of expert witnesses who gave evidence to the inquiry were clear that independence has been a significant factor in promoting price stability. I am therefore pleased the committee concluded it has a

“strong view that independence should be preserved”.

I regret, however, that this view was not shared by all former Prime Ministers. Liz Truss, who is currently on a book tour, stated in an interview with LBC radio on 15 of April, that interest rate setting is “a political decision” that

“should be in political hands”.

In a world of unparalleled complexity and uncertainty, it is institutions which can provide the stability of direction, co-ordination and appropriate incentives for sustained economic success. For much of our history, the strength of our institutions has bestowed credibility in international markets and underpinned our economic success. Politicians who undermine those strengths play a dangerous game.

As the noble Lord, Lord Gadhia, said, we saw the consequences of exactly that in the aftermath of the disastrous mini-Budget in September 2022, with its programme of unfunded tax cuts, amidst a concerted effort to undermine our independent economic institutions. Markets spiralled, the pension fund industry came close to collapse, and the Bank of England had to step in to restore calm. Those events dramatically altered the economic fortunes of our country. In October 2021, the Bank of England base rate stood at 0.1%. In little over two years, that rose to 5.25%. In October 2021, debt interest was forecast to cost £29 billion this year; that figure now stands at £82 billion.

[LORD LIVERMORE]

The last Labour Government introduced Bank of England independence, and the next Labour Government will maintain it. It is Labour's view that the Bank's Monetary Policy Committee must continue to have complete independence in the pursuit of its primary objective of price stability. A Labour Government would retain the 2% inflation target, while the Financial Policy Committee will continue with its core objective of financial stability.

The Economic Affairs Committee's report raises a number of key issues, which it believes need to be addressed. The first of these concerns the interaction between fiscal and monetary policy, where the committee believes clear lines of responsibility and effective communication are required between the Bank and the Treasury. I note that the Bank of England Act sets out that, subject to the Bank's objectives to maintain price and financial stability, the Bank should support the economic policy of His Majesty's Government, including their objectives for growth and employment.

With respect to fiscal policy, Bank of England independence reflected an understanding that politics will always present a powerful temptation to pursue macroeconomic policies that may not be in the medium to long-term national economic interest. Similar logic applies to the concept of deficit bias. Politicians may be tempted to put off necessary fiscal decisions or to ignore the long-term consequences of policy choices. It remains true, as Gordon Brown said, that in a modern economy

"the discretion necessary for effective economic policy is possible only within a framework that commands market credibility and public trust".

That is especially true if the Government are to be able to take urgent, discretionary action when crisis strikes.

Far from wanting to "see the back of" the Office for Budget Responsibility, as some now advocate, the next Labour Government will strengthen the OBR with a new fiscal lock, guaranteeing in law that any Government making significant and permanent tax and spending changes will be subject to an independent forecast from the OBR. We will not waver from strong fiscal rules. In line with the committee's call for accountability to Parliament, the new fiscal lock and fiscal rules will be put to Parliament to agree.

The second issue identified by the committee's report concerns the Bank's remit, an issue raised by many noble Lords today. The committee believes that the widening of the remit to include climate change, for example, risks jeopardising the Bank's ability to prioritise its primary objectives. I respectfully disagree. Monetary policy and financial regulation cannot stand still in the face of new risks, not least those posed by climate change. The European Central Bank's Isabel Schnabel has set out the implications of climate change for monetary policy: losses that could translate into the balance sheets of financial institutions and reduce the flow of credit; impacts on labour productivity and health-related inactivity, which could lower the equilibrium real rate of interest and constrain the space for conventional monetary policy; and the impact of supply-side shocks on prices. Given the onus to mobilise investment to achieve the energy transition, those challenges are especially acute.

As the noble Baroness, Lady Lane-Fox of Soho, said, macroeconomic policy has an important role to play in our climate transition. Labour has set out plans to require financial institutions and FTSE 100 companies to publish their carbon footprints and adopt credible 1.5 degrees-aligned net-zero plans. We disagree with the current Chancellor's decision to downgrade the emphasis put on climate change in the remits of both Bank committees. The next Labour Government will reverse these changes at the first opportunity, because there can be no durable plan for economic stability, and no sustainable plan for economic growth, that is not also a serious plan for net zero.

The committee's inquiry also examined the possible introduction of a central bank digital currency. Here, Labour recognises the growing case for a state-backed digital pound to protect the integrity and sovereignty of the Bank of England and the UK's financial and monetary system. We fully support the Bank of England's work in this area. The committee's report rightly raises a number of public policy issues that could arise, including issues such as threats to privacy, financial inclusion and stability, which we too want to ensure are effectively mitigated in the design of any such digital currency.

The final issue raised by the committee's report is accountability, referred to by several noble Lords, including my noble friend Lord Chandos and the noble Lord, Lord Macpherson of Earl's Court. I very much welcome the Chancellor's commitment, in his response to this report, to send copies of remit letters to the chairs of your Lordships' Economic Affairs Committee and the Treasury Committee.

I again thank the noble Lord, Lord Bridges of Headley, and the Economic Affairs Committee for their report. Throughout this debate, we have heard about the damage that inflation can do to family finances. The Bank of England therefore plays a crucial role in our nation's economy. Some 25 years since independence, this report provides a valuable basis for debate.

2.47 pm

The Parliamentary Secretary, HM Treasury (Baroness Vere of Norbiton) (Con): My Lords, what an outstanding debate. I particularly thank my noble friend Lord Bridges for so skilfully opening it, and the Economic Affairs Committee. So many of its members have spoken today, and I thank them for their contributions, for the thoughtful and detailed way in which they carried out the inquiry and the report on the Bank of England, and for the breadth of witnesses they chose to interview. I am delighted that my noble friend Lord Moynihan of Chelsea chose a Treasury debate in which to make his maiden speech—of course, I am not surprised. He will make a great contribution to your Lordships' House for many years to come, and we look forward to it.

Price stability is essential for a strong economy and, consequently, strong public finances. It is widely recognised that an operationally independent central bank is the best way to achieve price stability. That is why the UK enshrines the Bank of England's operational independence in law, with price stability as the primary objective of the Bank's Monetary Policy Committee. The Treasury and the Government remain committed to not only

independence but the objective of price stability, and I am delighted that I therefore agree wholeheartedly with the noble Baroness, Lady Kramer, and the noble Lord, Lord Livermore—not a frequent occurrence in my life—with both Front Benches also wishing to retain the independence of the Bank of England.

My right honourable friend the Chancellor wrote to the chair of the EAC in January this year. It is worth briefly summarising some of the commitments that he made in his letter. At the outset he noted the operationally independent monetary policy, which is so important within the broader macroeconomic framework, and indeed the importance of the separation of fiscal and monetary policy in the effective delivery of monetary policy. The Chancellor noted the negative impacts of inflation on so many elements of society and our economy when it is greater or lower than 2%, and he again resolved not to change the definition of price stability. This aligns with the view of the EAC, but it should also be noted that the Federal Reserve and the European Central Bank have the same inflation targets. The Chancellor also noted the Government's previous review of the monetary policy framework in 2013, which drew the same conclusions.

The Chancellor went on to note the Government's commitment to ensuring that fiscal and monetary policy remain aligned to support the Bank's efforts to return inflation sustainably to 2%. This is in agreement with the conclusions of the committee. This has meant reducing the level of government borrowing in a way that gradually withdraws support from the economy, as demonstrated by the declining path for the cyclically adjusted primary deficit.

On the relationship between the Bank and the Debt Management Office—the DMO, which many noble Lords have mentioned today—the Chancellor noted that monetary policy and debt management are distinct areas with separate mandates and decision-making processes. Given the institutional separation of monetary and debt management policy, in addition to existing public documents clarifying the relevant governance structure, the Government do not consider that an additional memorandum of understanding between the two organisations is necessary to clarify their relationship further.

On the committee's call—and indeed that of many noble Lords, including the noble Baroness, Lady Liddell, and the noble Viscount, Lord Chandos—for the Government to publish the deed of indemnity, the Chancellor reiterated in his response that the Government would not. The deed contains operationally sensitive information relating to government cash management practices. It is not government practice to release information of this kind, and nor is it in the public interest. However, crucially, the Government are confident that this does not undermine the transparency of these arrangements, given the publication of other relevant reports and accounts, in addition to public comment and costings from the Office for Budget Responsibility, or OBR, on this topic.

Lord Bridges of Headley (Con): Can my noble friend explain why, then, the Governor of the Bank of England told our committee that the publication of the deed of indemnity would not excite people?

Baroness Vere of Norbiton (Con): I cannot comment on what the Governor of the Bank of England thinks other people will think about a document that has not been published. If I can get any more information, or encourage the Bank of England to provide more clarity on that, I will—but it remains the position of the Government, and indeed the Chancellor in his response to the committee, that the document will not be published.

I turn to the remits of the Monetary and Financial Policy Committees, which also attracted an enormous amount of attention during the debate. I will come on to them further after this opening section on the Chancellor's views in response to the committee. The secondary objectives are clearly framed as being subject to the delivery of their primary objectives of price and financial stability. However, the Government have taken steps to simplify and clarify the FPC's remit to make sure that its role in supporting the Government's economic policy is absolutely clear.

I heard what the noble Lord, Lord Livermore, said about his party wanting to expand the remit letters once again. I believe that would be unhelpful. I will go on to state exactly why climate remains within the remit letters and the rationale for that. I believe that greater clarity is essential and is something that the Government will continue to focus on in future remit letters.

The report recommends that the Bank's management structure be streamlined; however, the Chancellor affirmed that the current structure is appropriate. Finally, on the committee report's recommendation that the Treasury and the Bank commission an independent review of appointments to the Bank, the Chancellor noted that the Government have no plans to commission such a review. However, he did highlight the Treasury's interventions in relation to ensuring diversity, in its broadest sense, in public appointments.

As part of our support for the principle of the Bank's independence, the Government do not comment on the conduct or effectiveness of monetary policy, but I reassure all noble Lords that I welcome the many insights I have heard today with regard to monetary policy and the Bank's performance relating to it. I am sure that those who are responsible for monetary policy and the operation of the Bank of England will reflect on them, too—but I will go no further in my response.

It is the case that we have been living through a period of high inflation. It is too high. In the 20 years prior to independence, inflation averaged over 6%: in the 20 years subsequent to independence, inflation averaged closer to 2% and certainly volatility also declined. But, since May 2021, we have seen a period of particularly high inflation and I am very pleased that, due to the actions of the Bank of England, supported by the Government, it was at 3.2% in March.

I will now elaborate on a few key areas that I believe almost all contributors to the debate focused on: the MPC/FPC remit letters; appointments to the Bank of England; the accountability of the Bank of England; and forecasting. On other matters, I will probably write, because time is always the enemy of the Minister at the Dispatch Box.

[BARONESS VERE OF NORBITON]

Returning to the issue of the FPC and MPC remit letters, which was mentioned at the outset by my noble friend Lord Bridges, but also by my noble friend Lord Moynihan, both the MPC and FPC have complex roles—that is clear—and it is right that their remits reflect this complexity. But that does not necessarily mean that the remits therefore have to be complex in themselves. It is important that the committees' secondary objectives, on supporting this Government's economic strategy, are clearly defined, so that they are achievable. Clearly defining secondary objectives does not detract from the hierarchy of objectives for either committee, where the secondary objectives are framed as being subject to the primary objectives of price or financial stability. Moreover, the remit letters provide guidance on how the committees should consider instances where there are trade-offs between their objectives and how their assessment of any trade-offs should be publicly communicated so that they can be scrutinised.

The changes introduced in the 2023 FPC remit letter have improved its clarity and focus, with clearer relevance to the FPC's specific responsibilities and toolkit. It is more streamlined. I accept that it is not as streamlined as many noble Lords would like, but it is 20% shorter compared with that in 2022. There is, of course, a balance to be struck. For example, it is important that home ownership is listed as a priority, so that the FPC is mindful of wider public policy aims when it is considering policy relating to the mortgage market. A further example is climate change, mentioned of course by the noble Baroness, Lady Bennett, but also by many other noble Lords. It is widely accepted that climate change poses systemic risks to the financial system. As such, the remit continues to emphasise the relevance of climate change to the primary financial stability objective. Delivering net zero is also referenced as a key component of the Government's economic policy, which the committee has a secondary objective to support.

It is also important to consider the changes to the remit letter in the context of the Government's wider work to ensure that the regulators are considering the impacts of climate change. For example, through the Financial Services and Markets Act 2023, both the Financial Conduct Authority and the Prudential Regulation Authority are required to have regard to the need to contribute, where relevant, to the Government's progress towards complying with the Climate Change Act 2008 and the Environment Act 2021.

The climate and environmental components of this apply from August 2023 and January 2025 respectively. So it is not the case that, somehow, climate has been downgraded. The wording has changed but the legal obligation to get to our net-zero targets remains, and we must ensure that the financial system gets there—and that includes the Bank of England. However, the primary objectives of the two committees are very well set out in the remit letter.

In the MPC remit letter, the primary objective, set out in law, is maintaining price stability, defined as a 2% inflation target. The MPC's remit includes the goal of increasing long-term energy security and delivering net zero. If that is not clear, I am not sure what would be. Specifying the Government's economic strategy

gives the Bank's policy committees important information on the broader economic policy landscape, given their role in the UK's macroeconomic framework.

Turning to appointments to the Bank of England and then to accountability, the Government recognise that, to be effective, public bodies need to have the broadest possible mix of skills, experience and backgrounds: diversity in its broadest sense. All appointments are made on merit and follow a fair and open competition process.

The Treasury has taken steps to ensure that a diverse range of candidates are considered for appointments to the Bank of England. To do this, the Treasury promotes vacancies to a wide group of people and, to improve the reach of an advert or opportunity, sometimes uses recruitment consultants.

The Government believe that there is a diversity of thought on the MPC and FPC, although the skill of hindsight remains elusive. The Governor of the Bank of England recently said that, in the last two years, about 25% of the MPC's meetings have had a split vote among the executive members. I suggest that this demonstrates the intellectual and analytical diversity requested by my noble friends Lord Frost and of course Lord Effingham. The Governor noted that there is a larger proportion of external members of the Bank of England than in other central banks around the world. While the FPC makes decisions by consensus, the diversity of views expressed in the committee's meetings is captured in published records.

As I have noted, the Bank of England has a unique arrangement compared with other central banks, as it has internal members and a greater proportion of external members on its policy committees. The external members are appointed by the Chancellor, and internal members who are on the Court of the Bank of England are Crown appointments.

Focusing on the MPC, each member has expertise in the field of economics and monetary policy. Members are independent and do not represent particular groups or interests. The MPC's decisions are made on the basis of one person, one vote, and each member of the committee votes in a way that he or she believes is consistent with the MPC's remit. A non-voting representative from the Treasury also attends the committee's policy meetings.

The Chancellor is assisted in his decision-making on appointments by advisory assessment panels, which include internal members from the Treasury and the Bank, but also an independent external panel member. It is for the Chancellor to choose the person they wish to appoint and make a recommendation to the Prime Minister. The Treasury is committed to enabling proper parliamentary scrutiny of the appointments that it makes to public bodies, which is a valuable and important part of the process. The Treasury Select Committee conducts pre-commencement hearings before a successful candidate is appointed to the Bank to start their role.

All noble Lords—far too many to namecheck—have spoken about the accountability of the Bank of England. It is worth discussing this in further detail now, and I am sure there will be opportunities to do so again in the future. I am particularly grateful for the forensic opening remarks of my noble friend Lord Bridges,

and of course for the reflections of the noble Lord, Lord Gadhia, who sits on the Court although speaks today in a personal capacity.

The Bank is held to account both by Parliament and by the Treasury. A key role of the Treasury and elected Treasury Ministers is to legislate for and maintain the overall regulatory architecture in a way that allows the Bank to meet its objectives. There are many ways in which Parliament, stakeholders and the public can scrutinise the performance of the Bank of England. Key publications include the Bank's *Financial Stability Reports*, which are published biannually, and the *Monetary Policy Reports*, which are published quarterly. Indeed, a *Monetary Policy Report* is due to be published this time next week. Executive and external members of both the MPC and FPC typically appear before the Treasury Select Committee following the publication of those reports. The governor also appears in front of the EAC, as he did in February this year.

The Government implemented reforms through the Bank of England and Financial Services Act 2016 to increase the accountability of the Bank and to improve the scrutiny of the Bank in terms of financial stability. Those reforms were made once the expansions in the Bank's remit had time to bed in properly after the financial crisis. Measures introduced in the 2016 Act included making the FPC a full policy committee of the Bank and creating a clear accountability line to the Bank's Court of Directors. It also implemented the recommendations of the Warsh review, published in 2014, including to increase the transparency of the MPC's decision-making by publishing a detailed policy statement as soon as practicable after each policy meeting.

The Bank's remit letters were commented on frequently in today's debate. They are published online and laid before Parliament, typically as part of a fiscal event. After a fiscal event, parliamentarians have the opportunity to debate it—it happens in your Lordships' House and in the House of Commons. Parliamentarians can and do raise concerns about the remit letters during those debates. The issues are then considered as part of the process to update the remit letter the following year. Parliamentary committees offer further scrutiny of the remits by calling bank executives, committee members and government Ministers to appear before them—the EAC's inquiry is an excellent example of parliamentary scrutiny in action. Given the frequency with which the remits are updated and that there is the opportunity to provide input, the Government do not intend to publish draft letters. However, on many of the report's other recommendations on accountability, it is for Parliament to decide whether to conduct a review of the remit, and indeed the operations of the Bank outside of existing processes, or to create a standing committee.

The Treasury meets with the Bank of England regularly to discuss its assessment of the economy and financial services. That includes regular meetings between the Chancellor and the Governor of the Bank of England. The Chancellor and governor are also legally required to discuss the FPC's *Financial Stability Report*.

Finally on accountability, the Court of Directors is a key element for keeping the Bank's performance under review and for looking at the way that the Bank exercises its statutory functions.

I note that many noble Lords have made requests for the Government to intervene in the operation of the Bank, particularly on the allocation of resources. Obviously, the Government will not do that to an independent Bank of England, but I am confident that the suggestions and points raised in today's debate may well be heard by those who are responsible.

I have been given a one-minute warning, so I will try to speak on forecasting and Bernanke within the time limit, because many noble Lords raised this incredibly important issue. All of us who have ever worked in finance—including me—know that forecasting is sometimes a mug's game, but sometimes it can be incredibly helpful. The review led by Dr Ben Bernanke is incredibly helpful to highlight the areas in which the Bank needs to improve. I think that the Bank is welcoming it, and I note that I will do a full report on its response to the Bernanke review by the end of the year.

As ever, I will write on many of the remaining points that I have not been able to cover. I am again enormously grateful to my noble friend Lord Bridges and his committee for all their contributions, not only to the report but to today's debate. The Government will continue to support the independence of the Bank of England and will ensure that its remit and the framework in which it operates, including through fiscal policy, create an environment in which it can carry out its duties efficiently.

3.09 pm

Lord Bridges of Headley (Con): My Lords, this has been an absolutely terrific debate and I thank all speakers who have taken part. In particular, I congratulate my noble friend Lord Moynihan of Chelsea on his maiden speech, and I very much look forward to his further contributions. In passing, I would like to congratulate the noble Lord, Lord King, on moving from looking after the MPC to looking after the MCC, where I am sure he will root out groupthink and shoddy forecasting.

We covered an enormous amount of ground and your Lordships will be delighted, given that I am sure everyone wants to get a very late lunch, that I will not try to repeat it all. I will just summarise what I have heard by saying that I can sense broad consensus—I stress “broad”; there is not unanimity—on four key points.

The first is about independence itself. It is clear from this debate that the vast majority of speakers think that independence should be preserved. Some have questioned its contribution more than others, but as far as I can sense noble Lords think that independence should be kept. On the framework for operational independence, here I sense that there is a consensus that that framework is, as our report stated, under quite considerable strain. A number of noble Lords—the noble Lords, Lord Burns and Lord Turnbull, for example—spoke of the blurring of the distinction between operational independence and policy independence. A number of your Lordships referred to the blurring of the lines between fiscal and monetary policy. Why has this happened? Obviously, we debated that: the remit being expanded, QE and QT and the enormous fiscal and economic impact of that. Therefore, there seems to be consensus that there is quite a significant challenge we need to face on the framework.

[LORD BRIDGES OF HEADLEY]

The second area where there seems to be consensus is, pretty obviously, that the Bank failed to control inflation in recent years. Again, there was consensus on the need for much more focus on intellectual diversity, not just forecasting—although my noble friend Lord Lamont made a very good speech on that. We need to look at both people and process.

Area number three where I sense there is broad consensus—here I stress “broad”—is about what should be done. Let us just try to divide this up. There is performance: issues that need to be tackled to improve performance. I do not think there is consensus on the remit; I sense from noble Baronesses opposite that there is opposition, obviously, to some of the points that were made in our report. However, I stress—I will come back to this in a moment—that those differing views highlight the need for much more debate and scrutiny of the remit letter. That said, there is consensus that a lot more needs to be done on the hiring and appointment processes within the Bank, and again, for different reasons. The noble Baroness, Lady Bennett, has a different view to mine on this, but I think that we would all welcome that and, again, more scrutiny and accountability are necessary there.

The next area where I sense there is consensus is the need for more transparency and more clarity. I am sorry to have intervened on my noble friend, but I am still completely baffled as to why we cannot have the deed of indemnity published. It is an absolutely critical document. Billions of pounds are at stake here, and I find it very odd that we in Parliament cannot be told the details around the deed of indemnity. I find it extraordinary just simply to be told it is market sensitive when the governor told our committee a very different thing. We will have to return to that. Likewise, I think that there is a need for clarity on debt management. I will not repeat the points there, but I want to stress points made by my noble friends Lady Noakes and Lord Blackwell. It is important that, at times, we take a step back and ask ourselves whether we are absolutely clear as to where our responsibility for fiscal and monetary policy lies. As I said, I think this framework is being challenged. We should not see it as pickled in aspic. We should be courageous enough to ask questions about it, as the noble Baroness, Lady Kramer, said. Challenge strengthens independence.

Finally, therefore, I think that there is broad consensus on the need for Parliament to up its game. Indeed, this debate, lasting three hours, shows the value of constructive criticism and challenge. I note what my noble friend Lord Gadhia said. Of course we need to be mindful of the tightrope between independence and accountability, and to be respectful of what operational independence means. However, that is no reason to say that we should not up our game.

Ahead of this debate, I asked the House of Lords Library to look up how many debates have taken place in this Chamber and the other place specifically on issues relating to the Bank’s performance. How many do we think there might have been over the last five years—10? There has been one in this House on QE, one Private Notice Question and none in the other place. I completely agree with what my noble friend said. There are opportunities for parliamentarians to

question the operational framework of the Bank, the remit letters and so on. We are delighted to welcome the Governor of the Bank and the Chancellor to the Treasury Committee—or, in our case, the Economic Affairs Committee—but given the magnitude of the topics that we have been discussing today, enormous issues such as climate change and QE, is that really enough?

We may differ on the role and remit of the Bank, or on monetary policy, but surely we all agree that if we are giving these enormous powers to unelected officials, we need more transparency, more scrutiny, more accountability and more action in Parliament. Overall, reform is needed.

Motion agreed.

EU Imports and Exports: Food and Agricultural Products

Question for Short Debate

3.17 pm

Asked by Baroness McIntosh of Pickering

To ask His Majesty’s Government what assessment they have made of the checks on imports and exports of food and agricultural products to and from the European Union, and in particular with regard to the import controls introduced on 30 April.

Baroness McIntosh of Pickering (Con): My Lords, I am delighted to have secured this timely debate and look forward to hearing contributions from other noble Lords. I welcome my noble friend the Minister to his place and look forward to his response.

The purpose of the debate is to evaluate the extent to which that elusive level playing field of parity of access to imports and exports on both sides of the English Channel and the North Sea has been achieved. I will look at border controls in the round, and in particular developments this week. I seek to assure parity of treatment across UK ports, whether goods are coming into Dover, Hull, Grimsby, Immingham or Holyhead, and between the UK and EU ports. This week the Government introduced the second phase of controls on EU imports, following the health requirement certificates in January this year. I congratulate all involved on achieving this—the Government, the ports, the importers and the traders. These are important measures of food safety and food security.

Will the Government review the operation and effectiveness of the border control posts and the new parallel border IT process, particularly for entry via Dover, before the next stage is introduced in October this year? Will they commit to treating the short straits as one entity to ensure that the critical supply chain of food imports functions well and for supermarket shelves to remain full—a point made by the Dover Harbour Board in its consultation response? Many of the controls introduced this week would have been pre-empted by a phytosanitary agreement with the EU. I seek to explore whether we are any closer to achieving such an agreement.

The risk levels and frequency of controls appear to be greater for those exporting from the UK to the EU than those entering the UK. It begs the question

whether it is inherently unfair and unequal that it is easier for imports to enter the UK than for UK food and agricultural exports to enter the EU.

Is it still the case that there are no border control posts in the EU to permit the export of UK breeding stock? In effect, this means that there is a trading embargo on the export of live animals for breeding purposes to the EU mainland that damages UK livestock production. Are we seeking to help British farmers to access what remains their largest export market, namely the EU? These measures were promised to assist farmers to meet these challenges, as set out in the Agriculture Act.

The Food Standards Agency welcomes the measures introduced this week yet remains concerned about the continued threat of personal imports of animals, plants and foods, as well as potential food fraud. How do the Government intend to address this threat—a concern shared by farmers and the NFU, which notes that the danger of potentially infected meat entering through personal imports remains? What resources will be made available, particularly to address the risk through personal imports?

We are heavily dependent in this process on the availability of environmental health officers and trading standards officers to oversee the safety of our meat and other food products. They play a vital role in protecting against diseased plants and infected animals entering the UK.

The Food Standards Agency notes that when we talk about border controls and the BTOM, we are referring to commodities imported commercially through regular trade routes. The BTOM and associated controls are not targeted at illegal imports of food that are typically brought into the UK posing as personal imports or where goods are passed off as something that they are not—I remember the horsemeat scandal at this point. Illegal imports of food are targeted at ports of entry, with Border Force the main agency responsible, supported by port health authorities, and this will not change with the BTOM. I pay tribute to the FSA's National Food Crime Unit, which targets organised food crime by taking action to disrupt the impact of criminal networks in this area.

The figures for imports into the UK speak for themselves and demonstrate a huge imbalance in trade. In 2023 the UK exported 167,000 tonnes of poultry meat to the EU with a value of nearly £225 million; the UK imported 673,000 tonnes of poultry meat from the EU with a value of £3 billion. To clarify, it is £225 million in exports versus £3 billion in imports—that is quite an imbalance. The absence of a sanitary and phytosanitary agreement in this regard is regrettable.

The CLA briefed me ahead of the debate on what increased costs the new border controls brought in this week will bring. That is to be expected because although food exports to the EU have stabilised, the costs associated with exporting have increased substantially. As a result of increased paperwork, through the need for health certificates, an increase in vet checks and the use of customs agents, costs have increased by £170 million since 2019. In 2023 export costs for food products increased by £58 million. Increased costs for exporters

lead to a reduction in export volumes and, regrettably, a reduction in the number of businesses exporting to the EU.

The aim of the Government since the UK left the EU in 2021 has been to implement the target border operating model, which means that checks on certain products entering the country from the EU have now been introduced. The NFU states that the EU continues to be the UK's largest market for live animals and agri-food exports, accounting for 67.9%, valued at £10.7 billion, in 2023 alone.

A breakdown in biosecurity is one of the most serious threats that we face as a nation and I am pleased that the Government are addressing this through these controls. However, it should not be easier for EU producers to export to the UK than it is for UK producers to export to the EU.

I will address the issue of perishable products such as plants, flowers, fruit, vegetables and fish. As time is of the essence, can my noble friend give the House an assurance that checks will be timely and effective to control just-in-time delivery, mindful of the nature of these deliveries in terms of transport and packaging?

In conclusion, I will briefly address a number of questions to my noble friend. In welcoming the measures introduced this week, in addition to those that were introduced in January and those expected in October, we need to take a wider view of the progress being made towards achieving a phytosanitary agreement with the EU and on border posts opening in the EU to facilitate UK exports, particularly of breeding stock. I understand that a review was scheduled for April this year, with products such as composites and some fruit and vegetables classified as low risk. Have the Government undertaken such a review? Will they undertake to do so and communicate any changes to industry with a sufficient lead time of, say, six months?

The border checks introduced this week will go some way to equalising the level of checks, which have hitherto seen an asymmetrical application of the trade and co-operation agreement with the EU. They are therefore to be welcomed. Some known unknowns, such as the cost ratios for controls at various ports of inspection, need to be addressed. Will the Government use the opportunity of next year's review of the trade and co-operation agreement to re-evaluate the level and cost of checks in the flow of trade between the UK and the EU?

3.27 pm

Lord Howarth of Newport (Lab) [V]: My Lords, this is a wretched affair and, I will argue, an unnecessary one. A mass of our businesses are unable to plan because they simply do not know what the compliance requirements or timescale of the new system of import controls will be. They know only that the bureaucratic burdens and costs will be onerous, especially for SMEs, to the point that not a few will go out of business.

I was talking to a florist friend, who told me that there is already an extra 24-hour lead time for orders. The price that he has to pay for lisianthus, for example, has almost trebled and everything imported from Europe has gone up. He foresees only the rich being able to

[LORD HOWARTH OF NEWPORT]

give flowers. The dead hand of this Government is even withering romance—an outcome that the noble Baroness, Lady McIntosh of Pickering, surely desires no more than I do, or perhaps even the Minister secretly does. People running delicatessens, importing from niche suppliers in the EU, are already unable to replenish their shelves. Why are the Government killing off small businesses? Why are they exacerbating food inflation?

Can the Minister tell us why the Government consider that they have to inflict this policy on us at all? I can imagine three possible reasons, none of which seems to me convincing or satisfactory. Maybe they have been persuaded by vets and our own food producers that, without a great apparatus of import controls, we are vulnerable to animal and plant disease, and food fraud. To this I say that, while we were in the single market, we were entirely comfortable to rely on EU-level sanitary and phytosanitary controls. Why should we not continue to rely on them? Or maybe the Government have been railroaded by our domestic agricultural lobby arguing that it is not fair that there are strict controls on UK exports to the EU and no equivalent controls on our imports from the EU. To this I say that raising the cost of imports is bad for consumers and their interests should come first.

The third argument I can imagine is that the Government are nervous that if we do not control imports from the EU in the same way as we control imports from other trading partners, we could be deemed to be giving the EU unjustified preferential treatment and thereby be in breach of World Trade Organization rules. I am not persuaded by that argument, either. If the Government really believed that, they would have imposed the full range of import controls to match the EU's on 1 January 2021, the day the EU applied its third-country customs and regulatory regime to goods imported from the UK. But they did not, and they have proceeded at a most leisurely pace.

The UK could have made a strong case that preferential treatment for EU imports was justifiable. Our trading relationship with Europe is special, by virtue of centuries of history, geographical proximity and inextricable entanglement. If we remind ourselves of the foundational principles of the WTO, we see that we did not have to conclude that there was a need to introduce new import controls. Our response to the most favoured nation principle of trade without discrimination could have been to reduce trade barriers for the other countries against whose imports we have obstacles in place. That would be a great thing for us to do for the developing world, particularly given the reduction in our aid budget and the amount of it that has now been diverted by the Government to footing their bill for asylum seekers. The WTO states that it is opposed to the raising of trade barriers. Just because the EU has put up protectionist shutters, we did not have to do the same.

It is a shame to have taken all this trouble to come out of the EU only to saddle ourselves gratuitously with a whole lot of new bureaucracy and constraints on trade.

3.32 pm

Lord Redesdale (LD): My Lords, I thank the noble Baroness, Lady McIntosh of Pickering, for initiating this debate today; it is incredibly topical. The only problem with being quite so topical is that it is so close to the start date that it is quite difficult to see what exactly will happen in the next few days. It is only a couple of weeks since we had the debate on the report from the House of Lords Horticultural Sector Committee, which I had the pleasure of chairing. The major concern raised with that committee by people in the industry, and going on certain information from Defra, was that the whole system was going to crash from the first day, and that does not seem to be happening so far.

At this point, I take the unusual step of not being highly critical of the Government but welcoming the hard work of the Minister and the Defra team, who are often criticised even though they undertake a great deal of hard work on this. I congratulate them on bringing about a scheme that so far seems to work, although, from my discussions, the administrative burden is hard and snagging is still going across. I make myself a hostage to fortune by making that statement if it crashes tomorrow.

However, I will now get back to normal and start criticising the Government again. There are a lot of concerns about the new controls and their implications, especially for those in the horticultural community, given the financial and administrative burden of the new checks and considering that so many of those companies are small. They will have a really adverse effect on their ability to conduct business.

I start by regretting the need for these controls in the first place, as raised by the noble Lord, Lord Howarth. As a strong remainer—indeed, I personally would advocate for rejoining the EU as soon as possible—it is hard not to see the real damage being done to the UK economy by these trade barriers, especially to individual sectors, with horticulture being particularly hard hit at the moment. I believe that there is a majority in the country today who would happily re-enter the EU—the Minister might not agree with that but I think a referendum would be really interesting, and perhaps we should have another one. The real issue is that our leaving the EU has led to enormously high costs for business, by the creation of those barriers. I do not think this Government will do it, because of the ideology of the Conservative Party, but I hope that the next Government will start a new chapter with the European Union, by introducing an SPS regime that would help the entire sector. I am sure that Europe itself would welcome such a move. However, that is perhaps a debate for another day.

I should move on to another four points. The first is the issue raised by Logistics UK and others around the potential for considerable delays for trucks, especially those not first off the boat. A real problem is not just the issue of our produce spending long periods of time waiting to be processed but the hours spent by the truck drivers themselves waiting to get the produce processed. There was an example given that some truck drivers might have to wait 10 hours. Of course, if you are a haulage company, that is a really difficult issue to deal with, considering that that truck driver

then might be working 10 to 20 hours in the day. There is a shortage of truck drivers, and haulage companies are working on razor-thin margins. This could have a real implication, not too far in the distance, of a shortage of truck drivers, and therefore a shortage of trucks.

My second point is around costs. We now finally have the charges coming in at £29 per commodity and £10 for low-risk produce, but there is a real issue here. Although the Government have said that this is an acceptable cost, 81% of businesses, especially SMEs, have said that this will really hit them. One issue that must be raised is this: the projections that the Government put forward of 0.2% do not match up to the recent work done by Allianz, which suggested a cost of £2 billion, and a survey by ITV, which put the cost at £2.9 billion.

I have run out of time, but I am really looking forward to seeing how this goes forward. Will the Minister come forward with a Statement about the scheme, on a set date within the next three or four weeks, because not much has been talked about the scheme as it is so late coming forward?

3.38 pm

Lord Trees (CB): My Lords, I congratulate the noble Baroness, Lady McIntosh, on securing this debate, and declare my interests as a veterinary surgeon and co-chair of the All-Party Parliamentary Group for Animal Welfare.

The introduction of these risk-based checks on imported medium-risk and high-risk animal and plant products from the EU is to be welcomed. As noble Lords might imagine, I will focus particularly on the import of animal products. These checks simply create parity with imports from all other third-party countries, and parity with the checks that the EU carries out on our exports to it in the absence of a sanitary and phytosanitary agreement. In that respect, it creates a level playing field for our farmers, and should help rebalance, to some extent, a very distorted trade balance, to which the noble Baroness, Lady McIntosh, has already referred. In spite of that, as she also mentioned, the EU remains the UK's biggest market for agri-food exports.

Apart from fairness, the real importance of these checks is biosecurity. These checks, particularly the physical checks, in a risk-based approach, will reduce the risk of importing to the UK infectious diseases in plants, animals and indeed humans. Since imports from the EU constitute such a large proportion of all the food products of animal origin imported into the UK—80% of all the animal-origin foods in 2022—it is critical that the EU is included in biosecurity checks. Despite the relative sophistication of EU animal disease control and surveillance, a number of animal pathogens occur in continental Europe that we want to exclude from the UK animal population. There are also potential public health threats that we want to exclude from food.

Delays in introducing these checks—there have been five since they were announced in 2021—have, historically, created a vulnerability in our UK biosecurity. During that period we have seen, for example, an outbreak of disease in over 200 people in the UK caused by salmonella,

likely to have been imported in frozen poultry products from Poland. The new checks should prevent such issues and, much more importantly, reduce the likelihood of major outbreaks of infectious disease in the UK, such as African swine fever, a highly fatal disease of pigs that is spreading westward in continental Europe and can infect a wildlife reservoir—the wild boar. The UK Government estimate that an outbreak of African swine fever in the UK would cost £570 million-odd per annum. Since we import nearly 1 million tonnes of pigmeat every year, mainly from the EU, and the African swine fever virus will persist for many weeks in pig products, African swine fever poses a potent threat to the UK pig population.

With regard to the new checks, I note there is to be a reduction in physical and identity checks on medium-risk products from the rest of the world. This is of some concern, particularly with regard to diseases of global distribution, such as foot and mouth, the outbreak of which in the UK in 2001 cost £8 billion, which equates to £12.8 billion in 2022 prices. Will the Minister assure the House that this will not increase our vulnerability to globally distributed epidemic diseases such as foot and mouth? I should add that an epidemic of infectious disease in UK animals would not just cause colossal direct losses in animal welfare, our farming economy and food security, but lead to international trade restrictions on our global exports, which rely on our freedom from disease status.

Of course, as has been mentioned, there are costs to the implementation of these controls. Logistical challenges include the time-critical nature of some imports, particularly plant products. Furthermore, despite the Government assuring us that the impact on food and drink businesses will be only 0.2% over three years, other organisations predict larger costs and impacts, as the noble Lord, Lord Redesdale, mentioned. However, in the context of the vast costs of epidemic disease control and eradication, and in the absence of an SPS agreement with the EU, the costs of these checks to industry, and ultimately to the consumer, are relatively small. I suggest they should be viewed as an insurance premium to reduce the likelihood of much greater potential losses, which could affect animal and human health, and the whole UK economy.

3.43 pm

Lord de Clifford (CB): I thank the noble Baroness, Lady McIntosh of Pickering, for bringing this topic to the Chamber. I draw attention to my entry in the register, as I work for a veterinary practice.

The veterinary industry and some in the farming industry welcome the introduction of these controls and the increase in the number of inspections on imports of plant and animal products. In January, in the debate on biosecurity tabled by the noble Lord, Lord Trees, I raised the issue of African swine fever, which the noble Lord just mentioned again. In September 2023, there was an outbreak of African swine fever in wild boar in Sweden, many hundreds of miles away from any previous outbreak. The source was unknown. After the debate, a statement on Defra's website stated that the source of the infection was found to be infected meat in a rubbish dump, found at the epicentre of the outbreak.

[LORD DE CLIFFORD]

Some vets in the pig sector have concluded that this devastating disease for pigs will reach the UK at some point in the near future. The most likely source of this infection will be contaminated meat, just like the outbreak in Sweden. There is real concern and high uncertainty within the sector regarding the changes made this week. With the launch of the second stage of the border target operating model on Tuesday, I hope we will see an increase in the number of physical inspections on medium-risk animal and plant products and high-risk foods at some of the newly established border control posts, such as Sevington. These inspections are welcome, as they will improve the country's biosecurity if importers comply, or attempt to comply, with these regulations.

With the move of the border control to Sevington, 22 miles from the Port of Dover, there could now be fewer physical inspections at the Port of Dover, so individuals intending to bring illegal or possibly infected meat products into the country and to ignore the regulations will be less likely to be intercepted. The possibility of fewer inspections in Dover has been reinforced by Defra reducing the funding of Dover Port Health Authority by £2.1 million this year. Last weekend, Dover Port Health Authority seized 3.4 tonnes of illegal meat products, the largest haul this year, taking seizures since the new ASF control measures came into force in September 2022 to 85 tonnes. A National Pig Association spokesman said:

"The situation is concerning because, as of the end of April, there is still no clear indication of how Defra intends to tackle the problem of illegal meat imports, which, of course, pose a huge threat to the UK pig industry".

The National Farmers' Union has also raised concerns about this.

What plans does Defra have to ensure that the number of random inspections at the Port of Dover does not fall in the coming months? Secondly, what measures does Border Force have in place to track vehicles that are required to stop at Sevington? What actions and resources are in place to track vehicles that should have stopped but do not? Which agency will handle the tracking of these vehicles and the seizing of imported goods? As the noble Baroness, Lady McIntosh, asked, when will we have a review of this scheme before the implementation of the next stage?

Finally, will the Minister update the House on whether there have been any further negotiations with the EU regarding the opening of border control posts in our nearest European neighbours? If border controls could be reopened, that could enable the export of high-quality breeding livestock to recommence. It has ceased since we left the EU, other than by a very long journey via the Republic of Ireland. It would give farmers an opportunity to trade their highly bred animals, benefit from the investments they have made in their herds and maximise their income.

3.48 pm

Baroness Bennett of Manor Castle (GP): My Lords, I thank the noble Baroness, Lady McIntosh, for securing this debate. I am going to focus my comments on the second part of her question on the border target operating model. In part, that is because on Tuesday

morning, purely by chance, as the model was going into operation, I was joining an official from the Horticultural Trade Association on a visit to Rochford nursery in Hatfield, so I heard live, first-hand reports that were coming in from the environmental horticultural sector about what was happening as the controls came into place. I should declare that I was making that visit as part of my fellowship with the Industry and Parliament Trust.

One of the things I was hearing that morning was that many companies had pre-ordered to make sure they beat the deadline or had delayed orders for a couple of weeks. Is the Minister aware of just how much the Government are putting into operation now? Many companies in the horticultural sector, and I have no doubt in the broader sector as well, have ensured that there is a much slower flow now, but it is going to ramp up over coming weeks. Are the Government ready for that ramp up?

I also heard that, even before the model officially came into operation, there had been considerable confusion with the paperwork. If customs agents ticked the wrong box, they were being precharged for the inspections before the inspections had actually started. More than that, the cost of the inspection was being charged to the customs agents, when it should have been charged to the companies. They were then going to add 10% to those charges as a handling charge. That gets to the complexity that small and medium-sized enterprises in particular are facing when dealing with this.

I shall focus primarily on the environmental horticultural sector, which is vital to greening our urban areas, expanding our agroforestry and generally contributing to public health. More than 90% of our tree and plant growers, members of the HTA, import plant products. Many of those are plug plants, some of which I was shown during my visit. They are tiny and extremely prone to drying out, but I am told that the warehouse in Sevington, and the other warehouses, have no temperature controls. Sometimes the plants are moved in temperature-controlled trucks but, if they are held up at a border control post, they can quickly die and become worthless.

There are other issues in terms of handling. Members of the HTA have been told that there is only forklift handling in the warehouses, so the warehouses can handle only palletised loads. Some of the plants being imported, certainly the higher-value ones, are too large to go on pallets, which are carefully packed into lorries by expert packers at the European end, and to unpack and repack them is an extremely skilled job. There was a general feeling that the Government were just going to have to ignore those loads because they do not have the capacity to deal with them, but obviously that is a biosecurity risk.

I have a question for the Minister, although I understand if he needs to write on this matter. The information that I received was that, if a lorry is directed to go to Sevington for an inspection and it simply does not go, at the moment no one knows what the penalty is. No one knows what will happen if the driver confuses their instructions or does not follow them. What happens then? There seems to be a total blank on that in the industry—which is a bit of a hole, given that the whole process has started.

I shall pick up on points made by the noble Lords, Lord Trees and Lord de Clifford, about biosecurity, particularly in the animal area. We are in a situation where there is now significant concern in the US about H5N1, a highly pathogenic avian influenza that is now widespread in cattle herds and has been detected in one in five samples of US milk. Just this week, the US started testing beef to see what incidence it finds. My understanding—I am relying on a report in the *Telegraph* here—is that a special unit has been established in Defra to look into this issue, but there are no plans to test milk, beef or cattle in the UK. I have to ask the Minister, especially in the context of biosecurity that we are talking about, why we are not taking the obvious precautionary approach of doing that testing. I echo the remarks made by both noble Lords that any reduction in tests or inspections, particularly of animal products, is a grave concern.

3.53 pm

Viscount Waverley (CB): My Lords, ensuring that essential food items reach shelves without delay has significant implications for our economy and food security, yet the potential for disruption due to increased border checks, leading potentially to shortages of essential food and agricultural products, is real. New checks, procedures on imports and exports, the impact of import controls, supply-chain disruptions, the maintenance of food safety standards, staffing capacity, the level of collaboration between UK and EU authorities and the impact on farmers and producers mean that long-term solutions on both sides of the Channel are imperative. The challenge, particularly for SMEs, is adapting the regulations and required targeted support measures to navigate the complexities to ensure their continued competitiveness.

With time not on our side this afternoon, but in wishing to establish whether the Government's approach is on track and addressing the many issues before us, I have this week taken the liberty to place 12 far-ranging Questions for Written Answer that I hope will clarify all, possibly beyond the response from the Minister this afternoon. External observers may care to note that they range from HL4184 to HL4189 and HL4250 to HL4255.

I will not replicate the many points that have been drawn attention to. However, I have been in discussion over the past two years with Enigio, an advanced tech company from Sweden, on its solution for creating fraud-safe digital original documents. In declaring that I have nothing to declare, but building on the provisions of the Electronic Trade Documents Act, its software is used to create documents, and then documentary checks can be performed in such a way that any type of fraud and/or manual mistake is detected and prevented, with a process of both electronic and paper documents that will fully meet security requirements. Its digital trace original, with next-generation PDF, will be the fastest way to universal digitalisation with interoperability built in. This can play a crucial role in the readiness of our border infrastructure and staffing to handle the increase in import controls and prevent disruptions in the supply chain.

I instigated yesterday the formation of a politically balanced fresh produce network APPG which Sir John Hayes, a senior Lincolnshire Member of Parliament who fully understands the issues, has agreed to chair, supported by colleagues from both Houses. The Minister may wish to be informed that I am also hosting fresh produce producers and associated industries in this House on 21 May. He would be most welcome to join the discussion, in order that participants can hear directly from the powers that be on what discourse has taken place with EU counterparts; and with what outcomes to ensure the upholding and integrity of our shared food market, working together to ensure a resilient, efficient and sustainable environment that serves all our peoples.

While these are all important questions, involving faraway states such as Poland—its national television station questioned me yesterday on the many issues covered in this debate, and I note the reference made to Poland just now—I could not conclude, however, without placing credit where credit is due. I have been drawn into this subject over time due to the persistence of Tammy Dawson-Doughty of the UK Fresh Produce Network, which recognises the state of play and ongoing consequences of where we now find ourselves. She has agreed to perform the secretariat role of the APPG with the ukFPN, encouraging a collaborative relationship for positive solutions—and be counselled, Minister: she was world junior martial arts champion, to boot.

3.57 pm

The Lord Bishop of Lincoln: My Lords, I am grateful for this time to say two things about Lincolnshire. One is that 24% of jobs there depend on the food chain, so are deeply impacted by our import and export arrangements. One of the things that has been brought to my attention is that the Grimsby Fish Dock receives its fish from Iceland over the weekend, for auction and distribution on Monday and Tuesday. Will there be enough environmental health officers on duty over the weekend to ensure that these auctions and distribution can take place under these new rules?

Secondly, on food security and the protection of animal species in particular, I was recently in a pig unit in Lincolnshire which is almost carbon zero in how its waste is turned into power and dry fertiliser, and where the pigs have decent enrichment. This business is undermined by not only this tough security but cheap imports relying on *carbon prodigality*. I would be keen to hear what the Minister has to say about that.

3.59 pm

Baroness Hayman of Ullock (Lab): My Lords, I thank the noble Baroness, Lady McIntosh of Pickering, for introducing this debate, and I thank everyone who has taken part. I declare my interest as set out in the register as president of the Rare Breeds Survival Trust.

As we have heard, it is important to the UK economy to ensure that we maintain efficient trading with the EU. We have heard about the introduction of these important checks on sanitary and phytosanitary imports that have come in just this week. It is important to have controls that are effective, biosecure and efficient. The contribution from the noble Lord, Lord Trees,

[BARONESS HAYMAN OF ULLOCK]

about the importance of the checks in stopping future outbreaks of disease in the UK was incredibly important. He particularly mentioned African swine fever, as did the noble Lord, Lord de Clifford. We strongly support his request to the Minister for assurances on these matters. If we are to bring measures in, they have to work effectively, because we have heard a number of concerns.

The noble Baroness, Lady McIntosh, talked about the short straits and the goods that enter through the Channel Tunnel or the Port of Dover. They will face a common user charge of £29. Our concern is that this will be imposed by Defra per consignment to recoup the operating costs of the border facilities. Compare that with the French system, which requires payment only on consignments from the UK which are selected for SPS checks. We are worried that this charge will have a significant and disproportionate impact on perishable goods coming in through the short straits, because it effectively adds a levy on to all food and plant imports that come in via this route. I ask the Minister: is this fair on our producers and our businesses? The noble Baroness, Lady McIntosh, asked this question as well.

I also mention Getlink, which manages and operates the Channel Tunnel, and thank its staff for meeting with me and for their briefing. Getlink is concerned because some of its customers have said that they intend to stop trading with the UK due to increased costs, or will have to pass on the full costs to consumers. Yet the Government are apparently saying that the new measures will increase food inflation by only 0.2% over three years. Why has the Cabinet Office not published the modelling behind this figure? The FSB, customs professionals and different businesses have all warned that there will be higher costs and a bigger increase than this Government forecast.

The noble Baroness, Lady Bennett of Manor Castle, talked about the impact on small businesses, particularly horticulture. A number of examples have been in the media recently. The owner of a flower company, Tom Brown Wholesale, predicts that his business will face costs of between £200,000 and £225,000 per year. He warns that his prices will have to go up for consumers. He was also concerned about how the checks will take place, on the basis that the products have already been checked in Holland. Defra says that it will use a light-touch approach. I ask the Minister exactly what this means. Can he explain what “light-touch” is all about? My noble friend Lord Howarth of Newport spoke of the need for more clarification on some of these issues. The Fresh Produce Consortium says that the Government have

“single-handedly created the world’s most inefficient and expensive border”.

I wonder if the Minister agrees.

The consortium said that it has heard that inspection staff would not be at border controls after 7 pm, despite 95% of goods arriving later than that. Is that correct? The right reverend Prelate the Bishop of Lincoln asked about staffing in Grimsby. What impact could this have on queues or processing time if the people are not there when they are needed to inspect the goods?

The EFRA Select Committee has also expressed concerns about reported delays due to checks as well. The British Meat Processors Association said that there has not been enough clear explanation about the new checks, so it is difficult to look at the impact. The British Poultry Council said that there has been a 56% drop in poultry meat exports since 2020 and the system will erode business viability and push up production costs in the UK. These are all very legitimate concerns.

4.04 pm

The Parliamentary Under-Secretary of State, Department for Environment, Food and Rural Affairs (Lord Douglas-Miller)

(Con): My Lords, I thank the noble Baroness, Lady McIntosh of Pickering, for securing this important debate, and all those who have spoken for their thoughtful and constructive comments. There have been a great number of questions and I have a very short period of time to address them, so I will push on and see how many I can get through. I will of course write to those whose detailed questions I do not manage to answer.

The second phase of the border target operating model was implemented on 30 April, reflecting a long period of intensive work across government. I am pleased to report to the House a smooth and successful implementation. I am also extremely grateful to the noble Lord, Lord Redesdale, for his continued support. All the necessary digital systems have been deployed and the documentary and physical checks have begun successfully at the points of entry across the country. Defra will, of course, continue to monitor the BTOM’s impact and effectiveness on a very regular basis.

Contrary to the point raised by the noble Lords, Lord Howarth and Lord Redesdale, and in support of the comments made by the noble Lord, Lord Trees, I say that introducing these biosecurity controls on imports is very important. Now that we have moved away from the EU’s rigid biosecurity surveillance and reporting system, we are responsible for protecting our own biosecurity from threats such as African swine fever and Xylella. These threats would devastate UK industries and cause significant damage to the environment, public health and the wider economy. We remember the impact in 2001 of foot and mouth, which cost British business nearly £13 billion in 2022 prices and of course caused massive disruption to many industries, as well as emotional and financial distress to many of our farmers.

Biosecurity controls are also essential to protect our exports and international trading interests. Our trading partners want to be reassured that we maintain the highest biosecurity standards. The overall ambition of the border target operating model is to introduce robust risk-based controls that protect biosecurity while reducing administrative and cost burdens for importers.

I will take this opportunity to address some of the questions raised. The noble Viscount, Lord Waverley, and the noble Baroness, Lady McIntosh, asked about the Government’s assessment of our readiness to implement these controls. The Government have worked

with port and airport operators, traders, port health authorities and the Animal and Plant Health Agency to make sure that we have the right infrastructure, systems and resources in place. In recent months, this has culminated in an intensive period of operational testing and collaboration with several ports, port health authorities, APHA and traders. We have used these tests to identify and resolve any remaining operational issues.

We are confident that BCP infrastructure has sufficient capacity and capability to handle the volume of checks expected under border control operating models. This was raised by the right reverend Prelate the Bishop of Lincoln, and I hope that satisfies him. I should add that the port health authorities' staffing is designed to be very much in line with demand. We are confident that our systems are robust, dynamic and effective, and we are confident that inspection authorities are appropriately staffed and trained. This is reflected in the successful first few days of implementation.

The noble Baroness, Lady McIntosh, and the noble Lord, Lord Redesdale, spoke of the impact of border controls on domestic food producers, and I am confident that the border target operating model will strike the right balance between safeguarding biosecurity and reducing friction on trade. The National Farmers' Union has welcomed the new regime and its protection of our biosecurity. These checks are also vital for maintaining access to export markets by assuring our trading partners of our high biosecurity standards.

I turn to some questions raised by the noble Baroness, Lady McIntosh, and again support the comments made by the noble Lord, Lord Trees, on the comparative regulatory advantages enjoyed by EU businesses exporting to Great Britain. Although the focus of the border target operating model is on imports, I note that it substantially reduces the asymmetry in the regulatory burden between GB-EU and EU-GB trade. It introduces new controls on animal and plant products imported from the EU, ensuring that they meet our high biosecurity standards.

The noble Lord, Lord Redesdale, and others questioned the assessment made by the Government of the impact of these controls on business. We have been clear from the outset that, in developing this new model, we aim to achieve the lowest regulatory obligation for businesses, consistent with the need to protect biosecurity and to safeguard the UK's reputation for high regulatory standards. I believe that this is what we have achieved. All costs and operational procedures will be kept under review and, if they appear either disproportionate or excessive in other ways, we can and will alter them.

The noble Lord, Lord Howarth, spoke on the impact that these controls will have on inflation. Indeed, it was a point raised by other noble Lords as well. For consumers, the implementation of the BTOM should have minimal impact on food price inflation. Initial analysis—I take the point that the noble Baroness, Lady Hayman, made about where that information comes from and whether it can be published; I will write to her on that—is based on peer-reviewed methodology and has indicated that the policies introduced

under BTOM will lead to an approximate increase in consumer price inflation of less than 0.2 percentage points over a three-year period.

The noble Lord, Lord de Clifford, seemed to suggest that the Government are refusing to talk to the Dover Port Health Authority. I can assure him that nothing could be further from the truth. We have been engaged in dialogue with the Dover Port Health Authority for a number of months now. The current funding package that it enjoys was put in place to cover a range of tasks that are now moving to Sevington. We are looking to negotiate a new package with the Dover Port Health Authority to reflect the reduced number of checks that it has been doing over a wide range of issues. This does not mean that we will be reducing checks for African swine fever. To be clear, the authority that is responsible for stopping and checking for illegal imports is Border Force, not the port health authority.

The noble Baroness, Lady Bennett, asked how the Government intended to enforce the attendance of goods called to Sevington for a BCP check. Consignments called to Sevington for inspection will have completed the necessary customs declarations and pre-notifications. These goods will not be legally cleared for sale or use within the UK until they have been attended to and cleared prior to BCP. Where the BCP has concerns due to non-attendance, the goods will be referred for inland controls by the local authority, enforceable through the data collected through those customs declarations and pre-notifications.

Another point raised by a number of noble Lords was around horticulture. The Government are most grateful to the HTA, which has provided extensive and constructive feedback during the development of this model. Indeed, I have held a number of meetings and round tables with the chairman, chief executive and quite a number of its members. Officials in Defra and the Cabinet Office have worked closely with the HTA and a number of its members on operational tests of systems and the BCPs of most significance to their sector. This has allowed government and BCP operators to refine systems and processes to ensure that the new regulatory system works smoothly for this sector.

This brings me on to another point that was raised by a number of noble Lords about the pragmatic approach that we are taking. When you are introducing an entirely new system—I am very aware; I have been in business and know how this works—it is good practice on day one to go quite slowly. That is entirely what we have attempted to achieve here. My clear instruction to all the port health authorities is that we do not want to go from nought to 100 miles an hour on day one. We have targets in terms of the quantity of products per risk category that we want to check. We can build up to that; we do not need to go from nothing to everything on day one. I hope that that pragmatic approach is very much a part of the successful start that we have seen to this process.

I am very conscious of the time, so I will pause there and again thank all those involved in today's debate. It has been extremely helpful and valuable. If I have missed any points, I will ensure that I write to noble Lords.

Homecare Medicines Services (Public Services Committee Report)

Motion to Take Note

4.14 pm

Moved by Baroness Morris of Yardley

That this House takes note of the Report from the Public Services Committee *Homecare medicines services: an opportunity lost* (4th Report, Session 2022–23, HL Paper 269).

Baroness Morris of Yardley (Lab): My Lords, I am very pleased to introduce this debate on homecare medicines on behalf of the Public Services Committee. In opening, I thank all the witnesses who appeared before our committee for their time, expertise and co-operation with us. I thank the team who served us so well: Sam Kenny, Tom Burke, Claire Coast-Smith and Lara Orija. I personally thank all the committee members, who worked hard on this report and, I think, are pleased with it and determined to see it through.

I know that committee members will understand when I thank the noble Lord, Lord Blencathra, because without him, we would never have looked at this issue at all. I was aware of homecare medicines, I knew what an important service it is, but I had no idea of the challenges it was facing or how ineptly people were dealing with those challenges. We are grateful to him for that, but the problem that emerged was that we were not the only ones who did not know about the challenges: it seems that nobody running the service knew about the extent of the challenges either.

This is an important issue: it is a picture of how the NHS should be. It is a forward-looking service. It offers patients the opportunity to have medicines and treatments in their own home, to have choice and flexibility around their lives. It saves money for the NHS and patients, and it is something that needs to work, because it could be a vision of the future. It has increased in recent years. There are 500,000 prescriptions now, 2.8 million deliveries a year and, over the last 15 years, on average, a 10% increase in those using the service each year.

However, if you read our report, or you look at the evidence, there is one overriding conclusion that you are left with, and that is the difference of opinion between the different witnesses who appeared before us. What was frightening, almost scary, was that that difference was split into two clear groups: the clinicians and those who use the service, who talked about the many problems; and those who manage, run and regulate it, who did not seem to see any problems at all. How that lack of observation and communication has arisen must be something that the department sorts out before it can move forward.

Having said that, I feel it is a strange report. Of all the reports I have been involved with during my time in both Houses, I do not think I have ever seen an issue that I am more confident can be solved. We are not asking for more money; it is not politically contentious; it is not backward-looking, it is forward-looking; we just need somebody to grab hold of it, make the difference and make it work. This is not something

that is an aspiration or something that has a 10-year forward look; this is something that can be done now. We can get it right and make life better for patients and for the NHS. In essence, homecare medicines is a market, and the hospital trusts, each trust individually, are the purchasers holding the money. They contract with two elements. One is the drug companies, the pharmaceutical companies; and the second is the homecare providers which deliver medicines and appliances to people's homes.

What is perhaps unusual, but never mind, is that the contracts themselves are between a chief pharmaceutical officer in each trust and a large pharmaceutical company. Some 80% of the trusts have no contractual arrangements at all between themselves and the service provider, they just have a service level agreement. But that is not unusual; they are not the only part of the public sector that puts out a tender, monitors its performance, makes adjustments and gets on with it. However, if you look at what we know about the effective delivery of public services or private services, some elements have to be in place. You need information about what is going on. You need to agree performance indicators. You need to know how an organisation is performing against them. You need to know who is holding them accountable and you need to know who to go for when things go wrong. Not one of those things is in place in homecare medicine, and it is a service that is relatively small compared with many of the big public services that we run.

First, there is data, but—believe it or not—none of it is in the public domain; nor is it available to clinicians when they are advising patients on what to do. The National Homecare Medicines Committee, one of those which manage the service, collects 27 key performance indicators and passes them to the NHS, but they are never published or made available to anyone. Then there is a completely different set of KPIs between the pharmaceutical companies and the homecare companies which deliver the medicines on their behalf. There is no standard template across the country; every single one of those contracts can take a different shape. They are not published, the trusts and clinicians do not know what is in them, and they never know whether they have been achieved.

If that was not a big enough mess, on top of all of that—believe it or not—all the data is self-reported. That is not only a recipe for a service that does not work well but it means that no comparisons are possible when the NHS trust is spending money to place its contract. It has no information against which to judge either the performance of its present contractor or anyone else. Almost more important than that is that no information is therefore collected about how seriously patients suffer from service failure. No one in the NHS or anywhere else collects information about the impact on patients served by this poorly run service.

Secondly, there is no effective system of regulation. There are three regulators: the Care Quality Commission, the General Pharmaceutical Council and the Medicines and Healthcare products Regulatory Agency. They all inspect a different tiny part of the system; there is no one with overall responsibility. The problem is that this is not a high priority for any one of these regulators.

The Care Quality Commission does about three inspections a year. It does not collect complaints; there is no section in its books or charts for complaints received about homecare medicines. It has never chosen to do a thematic review and there is no evidence that we could find of a prosecution it has initiated. Whatever people who work at the CQC think about when they get up in the morning, it is not, "I wonder how homecare medicines is getting on". When we asked those three regulators about the gaps in between the bits they inspect, they all said, "That's fine, we don't overlap—but there are no gaps in between". That is not an effective system of regulation, and it helps nobody.

Thirdly, in a system such as that there would have to be infrastructure and support to go with it. Chief pharmaceutical officers in each NHS trust are busy people. They have a very demanding job, and the responsibility of sorting out the contracts with the big pharmaceutical organisations falls to those men and women. Everybody who came before has admitted that this requires specialist knowledge and that there is a huge amount of effort involved in managing the contracts and being aware of the impact on patients. The support and expertise that they would need to do that job is just not there.

Procurement hubs serving NHS trusts often have no homecare medicines specialists. Each provider has developed a different system, with no single NHS system for providers to interact with. On prescriptions, they have to re-read the evidence to make sure that somebody is not making it up. Some 6,000 paper prescriptions go into the system every day on more than 1,000 different templates—it is no wonder that nothing that comes out makes sense. It is beyond belief that in 2024, some of those prescriptions are still sent by post.

That is the environment in which we expect trusts and clinicians to make decisions about a key service, on which they are spending public money and on which clinicians need good-quality advice to advise their patients on the decisions they should take. They are not faced with any KPIs that they can monitor; they do not know how one provider performs against the other; they know that there is no effective regulatory system, that there is an inadequate infrastructure to support them, and that no one is holding the ring to keep it all together. At the end of the day, there is no one in overall charge for them to turn to for help and advice.

It is not surprising that this leads to a system that fails everyone it seeks to serve. First and foremost, it fails patients. There is no complaints system and nowhere for people to go if something goes wrong. The things that can go wrong go very wrong and are very serious: the medicines do not turn up; the wrong medicines turn up; the medicines turn up at the wrong time; the medicines turn up, but the person who was showing the patient how to inject them does not turn up; or the medicines are out of date. The catalogue of what happens in an NHS service that puts safety at the top of its priorities is frightening.

The impact for the patients is also serious: they miss medicines, become more ill and need to go back to hospital and have operations. Because no data is

collected about how much harm is done, I cannot stand here with certainty and say that people lose their lives—no one can—but what we can say with certainty is that people do not recover as quickly, and they are given extra burdens to deal with because the system does not work as it should.

It also has an impact on each NHS trust. If you are not getting the service from the homecare provider—and if you have no one to complain to because the providers do not have good phone systems with somebody who picks up the phone at the end who knows you—you will go back to hospital. You will go back to the consultant who gave you the prescription or to A&E, and you will ask for help. That means that every hospital in this country, which have already paid taxpayers' money at a time of reducing budgets to the provider to deliver the service, will have to pay again to remedy the defaults in the service.

If you talk to any of the groups representing clinicians or patients, they will tell you the horror stories of how much they have to do to mitigate the weaknesses in the system. Crohn's & Colitis UK told us that 10% of specialist nurses spend one day a week on the consequences of an inadequately delivered homecare service. The British Society for Rheumatology told us of one clinic where a nurse spends a quarter of their time chasing after homecare services. In Leeds, people have set up their own infusion unit so they can teach the patients how to inject the drugs. They provide the drugs out of their budgets to start them off, because it takes eight weeks for the provider to get their act together.

The other losers are the NHS and the country, because it is money wasted. It is the case that the NHS, the department and Ministers do not know how much money is spent on homecare services. We had four different estimates, between £2.9 billion and £4.1 billion, and I am still sure that no one knows exactly what it is.

Yet I remain an optimist. All that can be solved; it is a tragedy, but it is solvable. Part of the anger or frustration is that it has not been grabbed hold of and solved already. We might get somewhere if we put a system in place that has comparable data, if we get the regulatory system sorted out, if we put in support for procurement, if we move more to electronic prescriptions and if we put a named person in overall control, who wakes up every morning knowing that their job is to make sure this works all right.

I say to the Minister that we have been very pleased with the support and response that we have had from his department; it has been helpful throughout. They have not spelled it out, but I think that both he and the Minister who is no longer in the department were surprised at the lack of awareness of this service and the state that it is in. That is why I am an optimist: I know that we await a further report in the summer.

However, there is a tendency in government to turn to the existing structure and people to create something that is better—which is what I have worried about most. There is a lack of trust between those who have been shouting for a long time that things are badly wrong and those who have not heard them and have not done anything about them. My request to the department and the Minister is not just to do all these

[BARONESS MORRIS OF YARDLEY]

things but, most of all, to consult those who have the best experience of what has gone wrong and the best ideas about what could be done to make it better.

I very much hope that our report helps not just the department and the NHS to get this better but all the clinicians and patients who have not been treated as well as they should and have not had the support that they should for many years. That is the goal, and I think that it is achievable. I promise that my committee is absolutely determined not to let this go, by whatever means we can. I have no doubt that we will be back at this again. I thank the Minister and the department for the support so far and offer our every help in their future work.

4.29 pm

Lord Blencathra (Con): My Lords, I am delighted to participate in this important debate, and I regret that it is tail-end Charlie today when the report deserves much greater prominence. The only credit I can take for this excellent report is that I suggested the topic. I pay tribute to our brilliant chair and her devastating summary today, and to colleagues on the committee and to the officials, who did all the probing and heavy lifting and concluded that this is a major opportunity lost.

My personal interest is that I get two different medicines for multiple sclerosis delivered to my home. The one which sparked this inquiry is called fampridine. Most people with MS cannot lift their feet and they drag on the floor; I can trip over a dead fly on the carpet. Fampridine enables us to lift our feet by as much as 5 millimetres—that is all—but it is the difference between walking and not walking at all. To me and others, that little fact makes it a miracle drug, and I was lucky enough to get in on the trials when they started. As an aside, NICE will no longer approve it for new patients, but all those of us in the trials can keep getting it. That is grossly unjust—like many other NICE decisions.

I had excellent service until 2017, when the delivery contract was allocated to a new company; it is named in the report and I will not name it again, but it began to fail abysmally in getting the deliveries to me before the last pills ran out. I complained on many occasions and it came to a head in July 2021, when I had no delivery and no pills for 10 days. I was unable to walk—or stagger, in my case—from where I park my Ferrari at the Bar of the House even to get to this Front Bench here.

I looked up the company in Companies House, found the names of the main directors, tracked down their addresses and sent them a stinking note with my full rank and titles and a draft of my letter to Sajid Javid, the then Secretary of State, calling for the company's contract to be terminated. The net result was that, two days later, some poor chap was dispatched on a 500-mile round trip to deliver on a Saturday my fampridine to Penrith in Cumbria.

I looked further into this company and found that the Care Quality Commission—a thoroughly useless body if ever there was one—had just published a report in May 2021 showing that over 9,885 patients

had also failed to get deliveries of their drugs, and some had to be hospitalised. The CQC report gave the company an overall rating of “inadequate”. On patient safety it rated it “inadequate”, and on “Are services well led?”, it rated it “inadequate”. Therefore, with all these negative ratings, what did the CQC do? It listed all the regulatory breaches and asked the company to kindly send it a report on how it would behave better in future. As Bob Geldof might have said, “Is that it?”

That is one reason why I say that the CQC is a useless regulator, which our report also suggests—or hints at, in very strong terms. By the way, a month after the scathing CQC report, the company changed its name and pretended to be a completely different supplier altogether.

I wrote to the Secretary of State calling for the contract to be removed, but that did not happen because he was not properly in charge of it and he was not sure quite who was. I now get Rolls-Royce service from this company because of who I am and because I created a big stink, but the other 9,884 victims, who have conditions far worse than mine, might not be so well served.

When I joined the Public Services Committee, colleagues were looking for a short-term inquiry to fill a gap as we looked at suggestions for a longer inquiry. I suggested investigating the delivery of medicines at home and supplied details of my own experience. I think that initially my colleagues thought that I was perhaps exaggerating the shambles I had described, but when our excellent clerk, Samantha Kenny, looked at it, she thought that it deserved a deeper look.

My colleagues thought that there may be a bit of a mess here, and then the evidence started to come in from various patient groups such as Crohn's & Colitis UK, and the superb report from the British Society for Rheumatology which suggested that the system was a complete shambles and cited countless examples of failure to deliver medicines on time. I think colleagues then concluded that old Blencathra was not so barking after all.

We have called the report *An Opportunity Lost* and that is true, but we could easily have called it “A Complete Shambles”. Those are not just our words; the Chief Pharmaceutical Officer for England told us that our inquiry had unearthed,

“a complicated picture that is quite hard to understand even when you are working in the area”.

That is a nice way of saying “a complete shambles”.

The then Minister for Health and Secondary Care, Will Quince MP, stated:

“It is certainly complicated. That is an understatement”.

That is, again, a nice euphemism for “a complete shambles”. As the noble Baroness said, the NHS has not a clue how much it costs. The National Clinical Homecare Association told us that the Treasury spends £4.1 billion per annum on homecare medicines, but the NHS told us it is only £3.2 billion. We asked the Minister—he said it was £2.9 billion. As we say, it is utterly shocking that no one in the NHS can give us an accurate figure for the billions spent on home deliveries, but then the NHS does not have a clue about how bad it is and how many patients have suffered. KPIs are a mess, as the noble Baroness explained.

We said in our report:

“Different sets of performance data are available to manufacturers and the NHS. This creates confusion and prevents effective monitoring ... NHS England must develop and implement one consistent set of performance metrics”.

Performance data must be published.

The National Clinical Homecare Association told us that

“98.8% of deliveries were delivered on the day they were intended to be delivered on”.

That is a very clever form of words but quite misleading. Yes, 98.8% were delivered on the dates that the delivery company decided they were to be delivered on, but those were not the dates the doctors prescribed, which were always much earlier and before the medication for patients ran out. Part of these failures are delays in the NHS prescribing system and delays by the delivery company.

Chapter after chapter of our report highlights the failings of the system. Thus we say:

“No one—not the Government, not NHS England, not patient groups, not regulators—knows how often, nor how seriously patients suffer harm from service failures in homecare”.

Let no one misconstrue our conclusions as an attack on the private provision in the NHS. While we found myriad flaws in the provision at all levels, God help us if the NHS tried to run a courier delivery service, since that would be infinitely worse. Delivering medicines at home by couriers is eminently sensible but has to be better managed at all levels. The problems that we identified all relate to the fact that there is not one single person or NHS body in charge. Different people and organisations negotiate different contracts. There is no quality control or negotiating competence, there are no consistent KPIs to measure performance and the various regulators are all fairly useless. It seems there is no one with the power to sanction failure or cancel contracts. Worst of all, I got the feeling that the NHS rather likes it this way because when things go wrong there is no one individual or organisation to blame. They can all carry on presiding over a shambles but carry no personal responsibility for it.

I get exceptionally good medical care from the National Hospital for Neurology in Queen Square, the Royal Marsden and the Lakes Medical Practice up in Penrith, but if you want to see the general bureaucratic incompetence of the NHS and why it is failing so badly in so many areas, the bureaucratic shambles that we are reporting on here is a perfect microcosm example.

However, in the report we did not just criticise but offered solutions. Theoretically, there is a Minister in charge, but he or she has no say in the running of the system, which is delegated to the NHS. The Minister should be in charge and have a very senior person reporting to them. We say:

“NHS England should designate a senior, named person with responsibility for the homecare system. That person should be given sufficient powers and resources to discharge that responsibility”.

That person’s responsibilities should include:

“Setting clear national KPIs for organisations commissioning and providing homecare medicines services ... Collecting data on those KPIs, and publishing data on those KPIs in a way which supports public scrutiny of the homecare medicines system ... Holding relevant bodies such as individual providers, Chief Pharmacists, the National Medical Homecare Committee and

pharmacy teams to account for work on homecare medicines services ... Responsibly using new powers to issue appropriate penalties to under-performing providers”.

That is essential; there must be sanctions.

The fifth recommendation is:

“Ensuring trusts or hubs procuring homecare medicines services have access to sufficient financial and expert procurement advice and information, including template legal agreement frameworks, so they are able to effectively deliver value for money services and influence the homecare medicines services market”.

As in every government department I have served in and witnessed over 40 years in Parliament, the lawyers employed by the outside commercial contractors are infinitely better than government lawyers trying to negotiate contracts; they outwit and outmanoeuvre us every time.

Finally, we said that:

“Achieving value for money and increasing transparency on homecare funding”

should be another part of their individual duties.

As the noble Baroness said, the government response accepted about 90% of what we say—that is jolly good. On that basis, let us have urgent action to implement those proposals and the remaining 10% as well.

Lord Evans of Rainow (Con): My Lords, I remind the House that there is an advisory speaking time of nine minutes.

4.40 pm

Lord Shipley (LD): My Lords, I was going to offer some of my time to the noble Lord, Lord Blencathra, because his contribution was so very important. It was a pleasure to listen to what he said because he has personal experience of the service, and I pay tribute to him for pointing the committee in the direction of this inquiry based on that personal experience. I also thank our chair, the noble Baroness, Lady Morris of Yardley, for her leadership of this inquiry and her forthright explanation of the problems we encountered.

This report shows the value of House of Lords committees, and I have rarely seen so much acknowledgement of a committee’s work in a government response. In this case, the words “We accept the recommendation” appear so often that the committee has clearly done something not just right but very important. There are some points of difference with the Government in their two responses, but often these are points about process or about the need to secure further information or consultation. The dialogue has been important, it will go on being important, and it is encouraging that the department is engaging positively on this and is clearly keen to do so.

As the noble Baroness, Lady Morris of Yardley, said, half a million NHS patients receive hospital-prescribed medication at home through private sector homecare medicines services. It avoids travel for the patient and is much more convenient for them, but it has to work properly since there are clear safety risks that must be avoided.

Indeed, the CQC said it had found evidence of missed deliveries and had concluded that some patients had suffered “avoidable harm”. But it seems that the Government still do not know the extent of that harm,

[LORD SHIPLEY]

and clearly more data is needed on how many patients have suffered a worse illness or other harm as a consequence of a service failure.

It has puzzled me why information cannot be made available on this before the summer; why does it take so long to gather the information on patient harms? It is an important matter, and it has not been helped by the Minister of State's reply on 25 March, which seemed to hint at a problem. It said that individual supplier submissions on aggregated performance data will be collated to show aggregated market performance and that this will be in addition to existing and continued contractual reporting of performance data to relevant NHS contracting authorities, whether by local trusts or via regional framework operators. I find that very complicated; I am sure it may all be true, but it sounds very complicated. There are a lot of communication links and reporting, which it can be easy to break. It ought to be better, and it ought to be possible for the Government and the NHS to simplify that structure.

I am very glad that the Government did a desktop review via NHS England. It was urgently needed. As the noble Baroness, Lady Morris of Yardley, said, there has been no individual with overall responsibility for performance, so there is a lack of data on performance. There have been problems with regulation, on which we await further proposals in the summer update. We urgently need a consistent set of performance metrics, but I am pleased that the Government have agreed to one set. We said that the Government need to know how much is actually spent on homecare medicines services but, as the noble Lord, Lord Blencathra, pointed out, we got three different figures. It is important to know which is correct, because these are large sums of money.

I am glad that the National Audit Office will be involved in defining costs, assessing whether commercial confidentiality is justified and establishing whether the Government can be confident that the money is being spent well. We also ought to acknowledge that there is a lack of competition in the market and that, as the service expands, greater competition is needed. That should in turn lead to a reduction in costs.

I shall just address the commercial sensitivity of services by manufacturers which, as we have heard, account for 80% of the homecare medicines service. It is quite difficult to understand what value for money is being achieved because of commercial sensitivity. I just point out that we are talking about public money and the 80% of the homecare medicines service that we are talking about is a for-profit service for NHS patients.

I found the Government's reply, in paragraph 8 of their second letter on 25 March, to be very strange. What exactly is commercially sensitive? How do we know that we are getting best value? Is it not possible to unbundle contractual matters that are genuinely confidential from those that are not? I hope that the Government will look at that and look forward to the NAO giving us advice on it.

In conclusion, the noble Baroness, Lady Morris of Yardley, was absolutely right to say that we are optimistic. There now has to be an optimism about some of the problems that we have identified, in a service that is clearly going to expand. Things have been learned

about the way it has operated, but we can have optimism about it. As the noble Baroness, Lady Morris, rightly said, it is essential that those who are using the service, those who manage it and the clinicians involved all need to be consulted. Patient groups have a great deal to say, so we need and would benefit from their time and evidence.

I see this report as a trigger for action. The Government have committed themselves to delivering improvements and, if this is got right, it will improve care for a large number of people with fewer pressures on the NHS estate. But a lot of work needs to be done. If it is done properly, homecare medicines services can be a growing pillar for our future health service.

4.48 pm

Lord Carter of Coles (Lab): My Lords, it is a pleasure to serve on the committee that undertook this revelatory review, under the sure-footed guidance of our chair, the noble Baroness, Lady Morris of Yardley. I add my thanks to the support we had from the team and to the noble Lord, Lord Blencathra, for drawing our attention to this issue. As others have noted, the horror of it was hidden until he shone a spotlight on it. My interests are those as declared on the register.

Rereading our report was profoundly depressing. On the other hand, when we got the Government's response in the letter of 25 March, my spirits began to rise because, like other noble Lords, I saw that there could be a way out. There are really two key questions. How did this mess occur? It is a spectacular own goal by the NHS. More importantly, can we be convinced that the NHS is going to do something about it? How do we get through the fine words? My questions are more about the details.

We found a casually overseen service—it was sloppy—which spends over £3 billion a year. Is it £3 billion, £4 billion or £4.1 billion? Who knows, but it is a huge amount of money. To put it into perspective, Defra spends about £2.5 billion on the whole of support for agriculture in this country. I have to say that, if this was a Defra debate, there would be a lot more people here. The point is that it is really significant, and it does not get the attention it needs. It looks after 500,000 patients, many of whom are vulnerable and have experienced appalling care, high levels of distress and, frankly, very confused financial oversight to the system.

Why did this happen? It is obvious: it was caused by a lack of organisational clarity. Who was responsible? Nobody knew. What was the accountability and effective management? There were two failures: one of the management of operations and one of regulation.

Looking forward, in a modern healthcare system, caring for the patient in the right place at the right time is important in that continuum of care, and therefore it is axiomatic and vital that getting homecare services working is central to the future of the NHS. This is not a policy matter—it is good practice: you want to get the patient into the right place. It is not a high-level policy or strategy thing; this is about operations and operational excellence. That must lie with NHSE, and it would be good to hear the Minister confirm whether that is where he thinks the first level of

responsibility lies. It would also be nice to hear whether he agrees that this important service would have continued to languish had it not been for the intervention of this committee of your Lordships' House.

Although the report is succinct, I shall focus on three things: transparency, information technology and accountability. On transparency, any good system that focuses on quality and cost must have data. That is the key to it. The Government's response was very encouraging. It was nice to read—I think that they understand the issue and they are getting people to work on it. Let us just hope they can come up with something effective.

However, on recommendations 7 and 8 and the question of debundling that other noble Lords referred to, I could not quite understand the response—the point about commercial confidentiality. As other noble Lords commented, this is public money; we should get access. Also, it is remarkable that we cannot get anonymised data setting out these things hierarchically. I cannot understand it, so perhaps the Minister might do that. I encourage him to get his department to look at the P&L accounts of the pharmaceutical manufacturers and those of the people who provide the service. The balance of power seems to lie at the back end with the manufacturers, rather than focusing where the service needs to be at its best. The money should go at the front end where it hits the patient. I think he will be as surprised as I was when I looked at those accounts. Some 80% of homecare is delivered in this bundled fashion, which impedes direct management. If we have intermediaries for various sources, particularly the pharma companies, contracting here and subcontracting there, we have to get a direct accountability framework. I shall come back to that in a moment.

On digital, electronic prescribing has been really slow, and if you cannot get the information out, you cannot get the drugs to the patient. You cannot plan or do these things properly. It is absolutely fundamental. Instead, we have pieces of paper flying around—these are decades-old systems. The key to this is getting the IT to work for electronic prescribing, but also getting that data back into the integrated care record. These patients are not stuck just in homecare; they go back into the acute hospital and the community, and they have comorbidities. The question is: how do those servicing them look across the care spectrum with one record of care? Can the Minister tell us when he thinks we might find some integrated care record so that all those phases can become apparent to support patients?

The nub of the problem is accountability. This was chaos; everybody we spoke to had no idea who was responsible. It was most remarkable, as other noble Lords have noted, and I have never been in a situation like it. But we are where we are. Clearly the Government accept this situation, and clearly our report has been a catalyst for change. How do we get clarity of roles, responsibilities and decision rights, if we are to unwrap this whole shambolic situation? I hope the Minister can tell us whether, when these reports come forward—possibly in the summer, ahead of the recess—he will be able to publish an accountability framework. Until we see that, and see how the pieces fit together, although we might have a lot more words we cannot focus on

who we can go to, in the operations particularly. Where will this famous SRO sit? To whom will it be accountable? Who will be accountable to it, and what decision rights will it have? Unless we get that right, all our aspirations will not be met.

As regards regulation, one might say, as the noble Lord, Lord Blencathra, noted, that the CQC has failed in this respect. Light-touch regulation is one thing; dereliction is another. We must be sure of two things. First, there can be only one regulator—multiple regulators always fail. We need a super-regulator, which has to be the CQC—we have not got time for legislation. Secondly, the CQC has to be made effective and has to come to an arrangement with the two other organisations that underwrite quality.

The NHS is in a most difficult position; it is under unprecedented pressure on every front. As the noble Baroness, Lady Morris, noted, this is not about money; this is about organisation, management, detail and covering that ground. We are encouraged by the fact that the Government have accepted, or nearly accepted, so many of these recommendations, but the fact remains that this has to be about access and getting things right as we go forward. I hope that the Minister can tell us with some confidence what next steps he intends to take in order, when this comes back in the summer, to tell us that the way forward is there.

I end by saying this. It is clear that the Government have found this report quite useful. Since our committee is always looking for interesting things to do, maybe the Minister will point to one or two other things we could look at in order to help him.

4.57 pm

Lord Willis of Knaresborough (LD): My Lords, I begin by thanking again the noble Baroness, Lady Morris of Yardley, for her excellent chairmanship of a challenging inquiry. I echo her thanks to the committee clerks and staff for their inspirational work in assembling pertinent witnesses and materials for the committee.

The fact that the Government have responded positively gives hope that we will see not only significant changes to the current organisation but an opportunity to build a home medicine service that will make a profound difference to millions of future patients. I must confess, having listened to the noble Lord, Lord Blencathra, for 27 years, that when he sought the support of the committee for the inquiry, I was somewhat sceptical that this was an area of significant concern. I apologise. Not only was he right in exposing a major challenge to the NHS but, midway through the inquiry, I became a recipient of homecare medicine services, when diagnosed with pulmonary fibrosis—a serious, chronic, life-changing disease. What is more, I discovered, via the Cystic Fibrosis Trust, that 87% of its members in receipt of homecare medicines had experienced problems with home delivery. I understood then the concerns of the noble Lord, Lord Blencathra, and of the leading charities whose members are involved in the service.

I wanted to know a little bit about the service. It began in 1995, and I suspect that the noble Lord, Lord Carter, might even have been around at that time in the Government. I came across a most interesting publication by the Department of Health, which produced

[LORD WILLIS OF KNARESBOROUGH]
 in 2011 a detailed review of the service entitled *Towards a Vision for the Future*. It is worth reading again. I am sure the Minister will have read that review, and he will be embarrassed by its conclusions, because it made exactly the same conclusions about the state of the service in 2011 as our report has done now. Thirteen years later, despite a 300% increase in patients and costs, nothing had changed or improved. I recognise that both the Minister, in discussion, and the Government, in response to the report, have accepted several of our key recommendations, but so much remains to be dealt with.

Can noble Lords imagine any business with half a million customers not knowing how much money is being spent or where it is being spent, particularly when sums from £2.9 billion to £4.1 billion are involved? Yet that remains the case. An initial response was that the service cost £3.2 billion, and then, according to the National Clinical Homecare Association, £4.1 billion, which was then reduced to £2.9 billion. The Government then said £3 billion in their response. The confusion comes because there is no accurate way to measure the cost of delivery, which prompted the committee to seek an in-depth explanation, only to be told, as Members have clearly stated, “commercial sensitivity”. In actual fact, the real reason is that there are no clear requirements to meet nationally agreed criteria for service delivery and component costs. Therefore, the critical breakdown does not exist.

The Government have accepted the need for national key performance indicators, but the idea that the National Clinical Homecare Association and the homecare providers should provide all the criteria for identifying costs is unacceptable. Could the Minister say whether the statement coming in the summer will include the National Audit Office to certify expenditure? Given that 80% of expenditure is on drugs and medicine, will the Royal Pharmaceutical Society be the lead adviser on the core national priorities to the new home medicine service leader? Speaking of the leader, could the Minister explain why, given the overwhelming role of the pharmaceutical services, the chief pharmacist was not considered as the key person to lead this service? If not them, who will it be? We would like to know.

One of our key recommendations, which was supported by the Government, is an end to the antiquated method of handwritten and fax-delivered prescriptions between consultants and providers. However, it was disappointing to read that the data systems, which are absolutely crucial to the future of the service and which are so appallingly absent at present—an issue fully accepted by the Government—will be provided by a sub-committee of the National Homecare Medicines Committee. That is not acceptable. We are in this mess because that committee, which is in league with commercial providers, failed to provide the data required to build the service in the past.

The absence of core national data seriously affects patients, who all too often have to cope with missed deliveries of drugs, sometimes forcing them back into hospital and perhaps even causing unfortunate premature deaths. We asked the NHS for statistics to see how serious this was. What was the answer? “Sorry, they’re

not available”. The same answer came from the Care Quality Commission. I will not repeat what the noble Lord just said, but I plead with the Government not to get this wrong. Data is absolutely essential. What is more, if homecare is to be expanded substantially to reduce burdens in the NHS on primary and secondary care, then getting leadership, data and finance right is crucial.

This leads me to regulation, which other Members have spoken about. I know, having worked for some 10 years as a consultant to the NMC and the RCN, and having chaired the York and Humber applied research collaboration for five years, that regulation in the NHS is a major challenge, and not one that can be easily sorted out. However, we must be given a structure that integrates its work far more effectively. I totally agree that there should be a single consultant and that it should be a powerful voice. The idea that that will happen soon is, quite frankly, not realistic.

An immediate solution would be to create a lead regulator with the authority to insist on requirements from other regulators without having to seek the approval of the Secretary of State. If the CQC is to be given that task—and as the protector of patients, it should be—it must be empowered and encouraged to conduct in-depth reviews. It told us it could not do in-depth reviews unless the Secretary of State told it to do them.

That leads me finally to the patients themselves. The 2011 report concluded that,

“moving forward, patients and patient representatives should have a much greater role in design, operation and monitoring of homecare ... services ... Patients are at the heart of homecare medicine and should be listened to”.

Crucially, our report sought an assurance from the Government that patients and key organisations involved would at least be asked for their advice and be involved with any future policy changes, because nowhere in the Government’s response or, quite frankly, in the evidence from officials do patients take a prominent role—which is exactly the same as in the 2011 survey.

In her letter to the Minister, the chair made a special plea for this anomaly to be changed. I admire and appreciate the fabulous service that the leading charities give to patients and their families. They deserve our utmost thanks, but the Government must do more. Now is the time to put patients at the heart, not the periphery, of future discussions. I sincerely hope that, when the Minister produces what I trust will be a ground-breaking response before the Summer Recess, we will all be able to cheer from the rooftops. I live in hope.

5.06 pm

Lord Mott (Con): My Lords, it is a pleasure to take part in this debate on homecare medicine services. I thank the noble Baroness, Lady Morris of Yardley, for opening this very important debate. I also thank her for being incredibly supportive since I joined the Select Committee in January. As a new member of the Public Services Select Committee, I take this opportunity to thank noble Lords who I sit on the Committee with for such a warm and supportive welcome when I first joined. I also thank Crohn’s & Colitis UK for the briefing before today’s debate.

As we have heard, homecare medicine services could transform patient care, but currently the service is not working for the majority of patients. We often hear large numbers given in speeches, and I may use some today, but we must never forget that public services are used by people who may not have access to tech or the knowledge of how to use it and who are often living in difficult and challenging circumstances. Our focus must always be on how we improve the lives of those who rely on our public services. We should embrace change and ensure that all partnerships are explored in the pursuit of excellence. Public sector, private sector and not-for-profit collaboration will allow us to achieve excellence.

I will focus on the problems in the first part of my remarks, although I fear I may be repeating some that have featured in noble Lords' contributions, and I will end with the positives. Homecare medicine services can transform patient care, and I have confidence in the Minister to deliver. It is a surprise that, although thousands of people depend on medicine delivered to their home, no one has any idea how often patients suffer from service failures. It is not just the Government who are unsure about how many patients are involved, but NHS England, patient groups and regulators, as has been mentioned already today. This lack of knowledge, data and information is a real concern. Without data, you cannot set KPIs or manage the service efficiently.

We have some data, but I am not sure whether it currently paints a positive picture. IT systems have been developed with no single NHS system for providers to interact with, which means, as has been mentioned by the noble Baroness, that around 6,000 prescriptions are written in the UK every single day on more than 1,000 different templates.

One provider reported that, between October and December 2020, 9,885 patients had medicines missed or delayed. We do not know how much money is spent, as has been highlighted in this debate. It could be £4.1 billion, £3.2 billion or £2.9 billion—the truth is that we simply do not know. It is important that we get that figure quickly. We cannot accept the Government always hiding behind confidentiality and contracts as reasons why we cannot see some of the data; in the end, this is taxpayers' money, and we need to make sure that it is being spent in the correct manner. The lack of transparency is a worry, as are failures in procurement and the reluctance to enforce standards, as my noble friend highlighted in his usual way at the beginning of the debate. The report makes clear that this is a difficult market with poor infrastructure.

I mentioned earlier that public services are about people. Many people with Crohn's and colitis rely on homecare medicine services. When it works well, homecare offers people with inflammatory bowel disease the opportunity to receive treatment in the comfort of their own home, reducing the cost of travelling back and forth to hospital and the impact of treatment on their work or education. It can also reduce pressures on NHS services by allowing people to receive their medication at home. Unfortunately, delays, cancellations and incorrect deliveries of homecare medicine services are jeopardising people's health and causing significant stress and worry for people living with Crohn's and colitis, for example.

A Crohn's and Colitis UK survey in 2023 found that nearly two-thirds of people with IBD had experienced problems with homecare in the previous six months, including delays or cancellations. Those failures led to nearly half experiencing a flare, one in nine ending up in A&E and one in 20 requiring surgery. One lady living with Crohn's disease told the organisation:

“Every month continued with missed and delayed deliveries and being unable to contact the home care company. My hospital team had to intervene every time. On top of the daily challenges that my condition presents, the stress, anxiety, and time spent making sure I got my drug became unsustainable. It was too much”—

far too much. Sadly, her story is not unique. When IBD medication is delayed or missed, there is a strong risk that it loses its effectiveness and no longer helps to manage symptoms, which can result in a flare-up. A Crohn's or colitis flare can lead to bleeding, abdominal pain, fever, joint pain, mouth ulcers, fatigue and mental health deterioration. Careful monitoring and control of IBD is vital for people to be able to work, study, socialise, maintain relationships and live life the way that they want to. Unreliable homecare medicine services jeopardise this.

It is currently unclear exactly how many people have been harmed by homecare failures, how much money is being spent on these services and who is ultimately responsible for them. We need to make sure that homecare medicine services are monitored and governed far more effectively, as we have heard today. Perhaps the real point is that no one seems to own these key services. As noble Lords will know, when a service is an orphan, progress is limited, accountability is lacking and patients suffer.

The report is an opportunity lost—for now—but it is clear that, if we can make some changes, homecare medicine services could be transformational. Reliable homecare medicines can change patients' lives, improve quality of care and quality of life and start to make a real difference. This would allow NHS resources to be redeployed.

I am heartened by the substantial progress that has been made since the report was launched. The NHS England review to establish the facts is fundamental to ensure that we are starting from a position of fact that will allow the transparency required, start to allow patients and providers to understand the marketplace and allow patients to have the confidence to improve their health and to start to take the pressures off the NHS.

I thank the Government for their work in this space and their commitment to take the issues raised with them by the committee seriously. Having read both the Government's letters to the committee on this topic, it is evident to me that good progress is being made here. It is reassuring that the Government accepted a large number of the recommendations in the report and are fully engaged in productive work to return a final position on some of the others.

I note that, importantly, NHS England's desktop exercise is now complete, and I was delighted that stakeholders, including patients, had been involved in that. I look forward to reading it once it is published. I was also heartened to read that NHS England will now move to focus on and take action in the most

[LORD MOTT]

pressing areas of patient experience and performance, and continue to engage with key stakeholders as its work moves forward.

Lastly, I note the fact that NHS England will appoint a senior responsible owner for this work, which is incredibly good news for this sector. I look forward to hearing more details about the position and the appointment to it, and to reading the Government's summer update to the committee on homecare medicines services. I know that my noble friend the Minister is a strong advocate of using data to drive up standards and performance. This gives me confidence that we will see the change required. I am looking forward to his response today. It is worth remembering that it is the little things that mean a lot.

5.15 pm

Lord Allan of Hallam (LD): My Lords, I am grateful to the committee for looking into this service, which is important to so many people, as we have heard, and involves significant if not fully understood public expenditure. I think we have it to the nearest penny on national insurance; we appear to be in that kind of rounding on this form of expenditure.

As someone who is still learning about many aspects of the NHS service, I am also extremely grateful to the noble Baroness, Lady Morris of Yardley, who gave us a masterclass in how to present a problem very efficiently and concisely and then describe possible solutions to it. Anyone can just pick up the report or her speech and understand what is going on in short order, which is extremely appreciated.

I am also especially pleased to be taking part in a debate with my noble friend Lord Willis. We shared an office for eight happy and productive years at the other end of the building, but we very rarely get to speak in debates with each other. It may be a decade or two since this last happened.

The Minister will not be surprised at the area I wish to focus on in my remarks, which is the gap between how the NHS works and the state of the art for other services in our lives. I encourage the Government to be perhaps even more ambitious than the report says. I hope that I am pushing at an open door with this particular Minister.

Homecare medicines are of course more complex than other products delivered to the home, so there is no simple comparison with an Amazon-like service, but some of the tools used in these other services are certainly relevant and provide a benchmark for what is possible, if you are trying to deliver the best possible service in 2024. As we work through the report's recommendations and the Government's response, I want to look first at recommendation 3 on KPIs, which many participants in the debate have mentioned.

What we see increasingly in other areas is real-time performance data rather than periodic collection of performance indicators. Real-time data is more useful and certainly less prone to the kind of gaming that can be done with KPIs. We see that in the NHS where people work to get to their quarterly target; they rush the drugs to the noble Lord, Lord Blencathra, because they want to tick that one off to meet their target, but

you cannot cheat real-time data in the same way. I hope that the Minister will consider that. Certainly, if I were the owner of a contract I would want to know in real time whether the thing that I contracted for was actually being delivered.

When someone visits a home to deliver a product, or if they are going to provide a service, it is very easy these days to log that using commonly available tools. This does not have to be a big bureaucratic exercise. It can be a click or two, and then that data goes to the person who contracted with the service so that they know it has been delivered. We all experience this in our daily lives. I will use the comparison that when I order drugs for my cat, which I do, I am told when they are going to arrive. When they arrive, the button is clicked and the person who supplied those drugs knows that they have been delivered. If it is good enough for my cat, it is certainly good enough for half a million people who receive these services.

That is especially important if it is a market in which a buyer is paying a main contractor—in this case, the medicine manufacturer—who then subcontracts the delivery part of the service. Once it gets more complex, that is no reason not to have real-time data but a reason to prioritise having it, so that you do not end up playing pass the parcel. The noble Lord, Lord Blencathra, said he wondered if people sometimes do not want to know the breakdown, because they do not have to own it. No: someone needs to own this. If I were a clinician or a manager in an NHS trust and I had 500 or 1,000 patients dependent on the homecare service, I would want to know in real time what they were getting. I would expect everybody in that chain to pass the data back, so I could see whether it was working or whether something had broken down.

Here, I think about another initiative that the Minister is keen on, which is virtual wards. We do not send people home and ask them to tell us in three months whether the service on the virtual ward was delivered. The clinician is there with real-time data about what is happening to that person at home. I do not see why the homecare medicine service should be any different. If you can easily collect the data, it should be going back to the clinicians so that they can see whether there is a breakdown and, as other noble Lords have said, plan to fill the gap if they need to. This is critical for the patient interest. This kind of visibility of real-time data is possible. It is even more ambitious than the KPI recommendation, but I hope that the Minister will commit to looking at how it could be built.

The other piece of transparency that has been referred to, particularly by the noble Lord, Lord Carter, is the transparency of costs in recommendation 5. I was also struck by the government response citing commercial confidentiality. That did not work for me, frankly. There should absolutely be commercial confidentiality at the point at which you award a contract, before somebody has signed the deal. However, there is no reason for a high degree of commercial confidentiality to continue after the deal has been signed unless it is because of the imbalance of lawyers. The noble Lord, Lord Blencathra, spoke about that. If I were a lawyer for a company, I would say to the NHS, "You have to keep it all secret once I have signed the deal". The NHS does not have to agree to that.

The NHS can say: “As a condition of the contract, we want this data to be put out there and we are not going to agree a contract that has commercial confidentiality in it beyond that which is strictly necessary”.

The report rightly talks about competition in this space. The way to encourage competition is to let the market have as much information as possible so, when the next round of contracting comes up, you can draw on what the cost base was for the previous contractors. That is not in the contractors’ interests, but it is in the public interest. I would expect to see that filtering through. I hope the Minister will look again at this. The block use of commercial confidentiality was in the government response, but we need to get much more granular and find out if there are real reasons or if it is simply for the convenience of the contractor or because it had better lawyers when doing the negotiation. We should be able to take that out.

I now want to speak to a favourite theme, which is the stubborn persistence of paper-based systems in the National Health Service; they are lurking around way beyond their sell-by dates. We have excessive tolerance for this. It is flagged in recommendation 11. It really hurts to see that inefficiency persist when we have actually already paid for the electronic system; we are just not using it. If you have not built the system, that is one thing, but we have built an electronic prescription system yet this important service has somehow just not bought into it; that is really painful.

The government response did not have any timeline for when this will be delivered. It expressly said that the Government cannot give a timeline. I know the Minister will be uncomfortable about the persistence of the paper-based system and I hope he can give us additional assurances on that today. Can we please be less tolerant about people not using the electronic system? It benefits everyone, including the contractors. They will save money if they move over to the electronic system. They may have inertia, but I think we can be insistent, given that it is for everybody’s benefit.

I would like us to be more ambitious. We need to be mammals about this and not be overly sensitive to the fate of dinosaurs who choose not to evolve. In saying that, I am not talking about the service users, many of whom are really familiar with the technology. I am talking about the service providers, some of whom are not moving on. If they do not want to move on, I worry about why they are still in this business. We need people who are willing to move on and use the latest tools.

It is a very useful report. There are many other recommendations to which I hope the Minister will respond positively. I hope he will particularly pick up three areas that I and other noble Lords have highlighted. First, NHS service managers should have real-time access to performance data for homecare medicine services, just as they would for the other services that they are delivering. It is reasonable to expect providers to offer this capability. Secondly, there are benefits in being much more open about the costs of service delivery. We should not use commercial confidentiality inappropriately to stop this. Thirdly, we should be aggressive—I would use that adjective—in moving everything on to the electronic prescription service. We have paid for it, and we should use it.

I again thank the committee and the noble Baroness, Lady Morris, in particular for her introduction to this. I echo the positive note and the fact that, as she said, these are things that can be done now—that is critical. We do not want a response that says things will be done in a year or two years; we want things that will be done in 2024.

5.25 pm

Baroness Wheeler (Lab): I too congratulate my noble friend Lady Morris on her usual thoughtful, thorough and robust introduction to this excellent report. I commend the whole committee for shining a laser-like spotlight on such a vital service, upon which half a million people with chronic health conditions living at home depend. Homecare medicines services are some of many services provided to NHS patients that are not publicly well known or understood by the majority of people accessing the NHS, but, as we have heard, they provide and utilise huge NHS expertise and physical and financial resources—over £3 billion per year, as the Government now estimate.

The forensic, in-depth reviews that Lords and Commons committees undertake of such services—which range across NHS provision and underpin the importance of providing quality patient care and safety across the NHS as a whole—are an essential part of parliamentary scrutiny. Today, we have heard support and insight from other committee members across the House—I note my noble friend Lord Carter and the noble Lords, Lord Blencathra and Lord Shipley—and I welcome their perspectives and reinforcement of the committee’s work. I particularly thank the noble Lord, Lord Blencathra, for suggesting the topic in the first place.

The report provides a very thorough analysis of what homecare medicines services cover, their strengths and the significant problems encountered by service users, as well as the recommended ways forward to improve the provision of high-quality care to patients in their homes, which can reduce pressure on hospitals and other NHS services that have to pick up the pieces when delivery services fail.

Since the committee members have stressed that they are open to suggestions, I say that I personally hope that the committee can in the future undertake similar important work on other vital services that are often out of the spotlight. One such service is the continence service, which impacts across major conditions such as heart failure, stroke and dementia, costs the NHS similar sums of billions of pounds a year and involves home delivery of medicines and supplies to patients and hospitals. I realise that this is an issue for another day, so I will leave these thoughts with the committee.

The important starting point on homecare medicines services, heavily underlined by speakers today, is addressing accountability and who is responsible for the whole service. I welcome the DHSC’s and NHS England’s willingness, in the Government’s response to the committee, to recognise the disjointed complexity of the current system, which has largely evolved over the years without a coherent overview and strategy. I also welcome their recognition of the need to come to grips with how HMS operate today and move forward in the future.

[BARONESS WHEELER]

Appointing the NHS England senior responsible officer responsible for HMS nationally is just the first step—a crucial point well reinforced today. When appointed, that senior officer, working with the national HMS committee, will face huge challenges identified by the committee and acknowledged in the Government's response. These include developing consistent performance metrics and updating and rolling out new KPIs, with regular publication of performance data in standardised form to ensure that comparisons can be made and lead to better scrutiny, transparency and improved patient care. All these are promised for a report back to the committee in the summer.

The committee also underlined the importance of ensuring that homecare medicines services are part of, and included in, the NHS long-term workforce plan, or the social care equivalents when they are finally developed. It is astonishing that these two strategies do not include HMS. I look forward to the Minister telling us how this happened and the steps now being taken to address this significant oversight. How is the work on the vital information and data—so essential, as we heard, to assessing the patient experience and identifying the harm that delays, errors and misdeliveries cause patients—progressing under the desktop exercise, in advance of the promised summer report back to the committee on what data is available to assess patient harm?

The Government's response also accepts that significant improvements must be made in the HMS procurement process to achieve value for money, in developing experts who understand the service and in the support offered to NHS trusts on drawing up and managing procurement contracts. My noble friend Lord Carter, as we know, has huge expertise in this area, working with NHS trusts on productivity, contract development and operational management across NHS trust operations. He has raised a number of key areas on this important aspect of the report, and I look forward to the Minister's response, particularly on how we move forward towards operational excellence and integrated care records. The committee's recommendation for government to start work now with the National Audit Office and the CMA to identify barriers to effective procurement makes sense in the light of the current disjointed and impossible-to-navigate system—another summer report-back item. Perhaps the Minister can explain why this work cannot begin now to help NHS England assess future options.

Today's contributions have all drawn heavily on the crucial evidence of service failures from key patient groups. I join noble Lords in paying tribute to them and to the British Society for Rheumatology for its leading, co-ordinating role in gathering and presenting patients' first-hand evidence to the committee. We have heard many examples today. The comments from two Cystic Fibrosis Trust respondents sum up what patients can experience. One says:

"It's terrible ... the times are a nightmare and missed deliveries can take ages to rearrange ... it's a horrible system".

The other says that

"it is a massive burden and on top of everything else we need to do and have to deal with".

The latter is a familiar sentiment from patients and their carers across many health and social care services.

As my noble friend Lady Morris underlined today, the committee fully acknowledges the "irreconcilable gulf" between the views of clinicians and service users and the leadership and governing bodies of the homecare sector on how well the service is performing. But it rightly underlines that it is

"persuaded by the weight of evidence from service users that there are real and serious problems in the sector",

despite HMS being a complicated system with multiple variables. The example from the noble Lord, Lord Blencathra, regarding the delivery of his medicines and the testimony of the noble Lord, Lord Willis, clearly demonstrate this. Indeed, one of the most stark conclusions from the committee—the noble Lord, Lord Blencathra, referred to it, but it is worth repeating—is that:

"No one—not the Government, not NHS England, not patient groups, not regulators—knows how often, nor how seriously patients suffer harm from service failures in homecare".

It is this and the complexity of the system that need to be urgently addressed. It is so important to have accurate and consistent performance data across providers and the services involved to measure the impact of poor performance on patients in the public domain. What are the expected timescales for the newly appointed senior HMS officer and the National Homecare Medicines Committee to develop a strategy and implementation plan for HMS, and how will service users be consulted and involved?

The failure of the regulatory model for homecare comes in for equally heavy criticism from the committee, which describes it as

"failing to ensure the safety and quality of patient care";

having

"a limited understanding of the sector"

and "no appetite" to find out more; and having only "feeble"—indeed, "toothless"—enforcement action against providers, even where avoidable harm has occurred. The Government recognise that more work has to be done before deciding on undertaking the thematic review called for by the committee—that will be one more summer update to the committee.

Can the Minister confirm that meaningful discussions have begun between the CQC, the General Pharmaceutical Council and the MHRA? Are they just focused on identifying

"opportunities for strengthening collaboration, communication and transparency",

as referred to in the Government's response, or will they include more structural issues, including a leading regulator where providers are underperforming and overall responsibility for a patient complaints system? How will the role undertaken by the CQC for its—currently relatively few—HMS provider inspections be levelled up to the much tighter approach taken in inspecting small residential care homes?

With noble Lords' indulgence, I refer lastly to a related but non-HMS issue: medicine blister packs for people living at home, which are assembled by pharmacies and either collected by patients and carers or delivered to their home. The Minister and I always seem to talk at cross-purposes about this. When I raise the issue, he stresses that they are not suitable for everyone, which I fully agree with, but I always emphasise how essential

they are in the delivery of domiciliary personal and social care for people living in the community or in care homes. Care workers often administer these drugs to the client in their homes. This process ensures that the drugs are taken properly and safely and are not missed. Care staff can do this only using blister packs. They would not sort out the daily doses from multipacks, which I as a carer was recently offered. Our local Boots chemist, a large chemist, has stopped providing this essential service. Where it is not provided or where the chemist closes down, the task would again fall back to the carer. This is an important issue related to our discussions on HMS and it needs to be recognised as an essential part—where appropriate—of safe care in the community. I hope I have provided food for thought in the context of today's debate.

Finally, this has been an excellent debate and I once again congratulate the committee on its searching report and very practical recommendations on ways forward. There has been a good start made on addressing the key problems, and optimism, in the Chamber at least. But, as the British Society for Rheumatology has stressed, both NHS England and the DHSC still have a long way to go to demonstrate that they understand the scale of the problems that need to be tackled if HMS is to achieve its full potential.

5.35 pm

The Parliamentary Under-Secretary of State, Department of Health and Social Care (Lord Markham) (Con): My Lords, I am a bit slow in getting up. I will blame my son Xavi, who is in the Gallery. I was playing with him a bit too much this weekend, so I apologise. Now I am up, I will be fine.

I start by thanking noble Lords, and particularly the noble Baroness, Lady Morris. This is a very important area about which, I freely admit, 10 days ago I knew very little. I guess it was my noble friend Lord Blencathra who raised awareness in the first place, but I think this has been an excellent example of what the House of Lords does really well, which is to realise that there is an area that needs looking at.

On the question from the noble Lord, Lord Carter, about whether we found a report useful: yes, definitely. I have a couple of ideas and I think the noble Baroness, Lady Wheeler, has some good ideas on some of the next steps. I thank all noble Lords on the committee for their contributions and I am pleased that it is felt that the department has responded positively. I must admit that, in briefings, you can always tell when officials get it, are keen and have the bit between their teeth—and that is definitely the feeling I got here.

I will spend a few minutes unpacking something that impressed me: it really came home to me just how important this is, not just in terms of patient treatment today but for how we all want to deliver the service in the future. I call it the four Ps, on why I think this is important. First, there is prevention. I think we all agree that more prevention needs to begin at home, with home treatments and home testing services, to create a fantastic service in this area.

The second P is primary care: we want more care in the community and that is going to happen only if we have these sorts of services working really well. Noble

Lords have heard me say it many times, but Bromley-by-Bow is a perfect example: they are treating patients with type 2 diabetes and CBT patients in their home rather than in hospital. But that can happen only if we have a really gold-plated homecare service, which they are able to provide in that very small instance. What we are really talking about today is the professionalisation of that type of service, so we can offer it much more widely.

My third P is of course patient care, brilliantly described through his own personal experiences by my noble friend Lord Blencathra, and the effect that that had on him, but also with the Crohn's disease example set out by my noble friend Lord Mott, and the realisation that, as annoyed as we all often are when we wait all day for a delivery that does not turn up, in these cases we know that there are real-life consequences. Those consequences do not impact only the individual involved; they have knock-on consequences for the rest of the health service if patients have to go into hospital for that treatment instead.

Fourthly, I see the future in the area of precision medicine. I have started to understand that, by seeing what the likes of BioNTech and Moderna are doing, using mRNA to fight cancers on your behalf. This is personalised treatment, which moves away from the model of mass manufacturing in big pharma factories to a point-of-care delivery of services. That is why it is so vital to get this right.

The report's title, *An Opportunity Lost*, is a perfect way to capture what we are trying to do here. We all understand that it is a complicated area, and there are very clear reasons why a lot of it is delivered through the pharmaceutical industry. It makes sense to have that service connected to it all, particularly as a lot of their treatments become more complex.

I think all noble Lords would agree with the point of the noble Lord, Lord Blencathra, that we do not want the NHS to deliver on these areas, and that it has enough on its plate already. As the noble Baroness, Lady Morris, said, we need someone who is going to grab hold of this. Leadership and management 101 is that you need someone to lead a business, and that is clear here. We will be appointing and announcing that person very shortly. I cannot say it yet but, from some of the comments made today, I think that noble Lords will agree that it is a logical appointment. I probably should not go further than that. NHSE and its service delivery will be included in all of this. To the point of the noble Baroness, Lady Wheeler, all of this should absolutely begin now. A lot of this job is to make a fragmented service coherent.

As to what their job list should be, noble Lords set this out very clearly, and it is set out very clearly in the recommendations. I hope that that is clear in some of our responses, but I shall try to add some flesh to those bones. Number one on the job list is clearly data, and a common set of KPIs is fundamental to this. I was completely unclear on the sentence that the noble Lord, Lord Shipley, read out—it was probably more than one sentence. I was none the wiser, so there is definitely a mark of “could do better” there. As the noble Lord, Lord Mott, said, we need clarity, a common system of measurements and complete transparency

[LORD MARKHAM]

all the way through, accompanied by a clear complaints system. No business in the world would get anywhere without that fundamental data, in as close to real time as possible.

Secondly, I completely understand why the regulatory lead has evolved in this way. It is natural that the MHRA looks after the medicines aspect, such as efficacy and any side effects. It makes sense that the General Pharmaceutical Council looks after some of the dispensing aspects, but at the core of these homecare services is the delivery of treatment. As the noble Lord, Lord Willis, suggested, that is why the CQC is the natural lead for doing that. I will not comment on the assessment of noble Lord, Lord Blencathra, on its involvement in this to date, but it is about making it very clear that it is a priority. That is key: what we have tried to do will be the future, so it should be a priority.

On the question from the noble Baroness, Lady Wheeler, my understanding is that meaningful conversations have begun towards that. It is quite clear that the CQC would be the natural lead because this is mainly about treatment and the delivery of healthcare services.

The third important thing on the job list is digital. It is amazing just how basic things are there. I am completely with the noble Lord, Lord Allan, that we should expect an Amazon-style delivery. We are all very used to that these days, where you get a message that your delivery is on the way. Providing that sort of information is not rocket science. We should definitely look at that, so that the service is at least as good as his cat's service, if not—I hope—a lot better.

The fourth job is to provide clarity on the costings. As the noble Lord, Lord Willis, and others have said, the commercial confidentiality aspect should not be an issue. All we are saying is that, if they are charging £100 for an item, which includes both the medicine and the service delivery, there is an element—£20 or whatever it is—associated with the service delivery. My suspicion is that the power is with the pharma company here—that goes to some of the points raised by the noble Lord, Lord Carter. Often, the service is the tail-end Charlie in the whole set-up. As the noble Lord, Lord Carter, said, this is just basic operational and service delivery. We need to make sure that it is a very clear part of it in the contractual sense that the noble Lord, Lord Allan, referred to.

We need to do some training with our contractual negotiators. This is not just about driving down the price of the medicine—which I think we would all guess is the primary part of the negotiation—but, where there is a treatment component, is about making sure that the delivery is key. If the noble Lord, Lord Hunt, were here, that is exactly what he would say about value-based procurement. Small things going wrong with that can have huge consequences not just for the patients, as we have seen with the examples raised today, but through knock-on costs for the rest of the service.

For what I hope will be a constructive way forward, I propose that the senior responsible officer—the leader for all this—will be appointed soon. With noble Lords' permission, I would like to invite him or her and

the relevant NHS people to a round table with the noble Baroness's committee. With them having had a bit of time to get their feet under the table, but not so much that they have already gone down the path too much, it would be excellent to have a hopeful round-table conversation. I hope that will be a constructive way forward to make sure that they are setting off on the right track.

As ever, when we finalise this all, I will write on any points that I have not covered, particularly on blister packs. We probably have been talking at cross purposes, so I will make sure that the point is understood and taken back.

In conclusion, this is definitely useful. As I say, I will come back to the committee with more thoughts, but one thing off the top of my head is that in the whole area of precision medicine there is just such an opportunity there for a whole new way of treating cancer—I hope that one day it will replace chemo, which we know is a blunt tool. There is a whole mechanism there for delivering which we will need to build on in these homecare-type areas, and that could be a very interesting area for the committee to look at.

I have learned a lot from this area, and I thank your Lordships for shining a light on it. I hope that noble Lords feel that we are getting the right attention paid to all of it. However, we absolutely need to continue to hold feet to the fire, and I know we can rely on all noble Lords, quite rightly, to make sure that we do that.

5.50 pm

Baroness Morris of Yardley (Lab): My Lords, I thank everyone who has contributed to a very good discussion built on a very good report. I do not want to keep us long because I do not think there is a lot else to say at this point.

We have been through a number of hurdles, and I absolutely understand where the Minister is coming from—10 days ago, he was not aware of the problems, but that is a description of us all, apart from the noble Lord, Lord Blencathra. The first hurdle to jump was to get people in key positions aware of the problem, and that has been achieved. Secondly, I think there is a joint determination to do something about it and a feeling that it cannot wait. Thirdly, there is some agreement on some of the things we can do, and a willingness to have an open discussion on how we might do some of the more problematic things. I am particularly grateful to the noble Lord, Lord Allan, for stretching my mind and knowledge on what might be possible in terms of digital technology—things I had not even thought of.

The other thing that has been important today, which I was very keen that we do, was to get a next step. These good ideas fall between discussions, and things happen and no one picks them up again. I am therefore absolutely confident that I can speak for the committee in accepting the invitation to attend a round table after the announcement is made. I think that, from our point of view, that is a very good next step, along with the announcement of the person in charge and the further letter expected from the Minister's department in the summer. Therefore, that is our next step, and I am sure that there will be more steps after that.

I just want to say one thing, which is a note of caution—it was referred to, I think, by the noble Lord, Lord Willis. The Minister will have to make his own judgment, but I think the overriding impression in our committee was that it was really hard work to get those already managing the system to accept that there was a problem. It was really tough to get them to that stage, and I am not sure that they got there; they might have got there in their own minds, but they did not acknowledge that to us. Because of that, the committee has a concern as to how much they are going to push this forward, but, more than that, the clinicians and

the patients have concerns as well. The Minister may want to reflect on that and do what he can in whatever decisions he takes.

My last sentence is this. All those things are good, but we have absolutely raised expectations of those who use the service, the clinicians and the trusts, and we cannot let them down because they do not deserve that. I finish by thanking everybody for their contributions, and I look forward to further discussions. I beg to move.

Motion agreed.

House adjourned at 5.53 pm.