



# POLICY BRIEFING

## **Conservative Liberal Democrat Coalition: first policy agreements**

The General Election 2010 returned a hung Parliament, no single political party getting enough seats to ensure a majority in the Commons. The Conservatives won 306 seats, Labour 258 seats, and Liberal Democrats 57 seats, with 28 seats between all the others.

The Conservatives had a choice; to set up a minority government, on the basis of having won the most seats, or enter into a coalition with another party. They decided the latter, resulting in the Conservatives and the Liberal Democrat Party coalition forming the new government.

In the coalition, the new Prime Minister David Cameron has agreed to Nick Clegg, as the Leader of the Liberal Democrats becoming Deputy Prime Minister, and 5 Liberal Democrats as ministers in the new cabinet, to work alongside 17 Conservative ministers.

The coalition is based on agreement reached by the two parties in a number of policy areas. Some are definite proposals, others are agreements to seek agreement, or develop proposals. Agreement was also reached on what Liberal Democrats can and can't do on areas of disagreement. These were published on 11<sup>th</sup> May 2010 in '**Conservative Liberal Democrat coalition negotiations. Agreement reached**'.<sup>1</sup>

The document sets out what the Coalition has agreed in 11 areas of policy:

### **1. Deficit reduction**

- Accelerate reduction in deficit, mainly from spending cuts not taxation.
- Emergency budget within 50 days.
- £6 billion cuts from non-frontline services in 2010/11 likely.
- Reductions to Child Trust Fund and tax credits for higher earners.

### **2. Spending Review**

- Full Spending Review, reporting this autumn, following consultative process, involving all tiers of government and the private sector
- Review future of public sector pensions
- Commitment to increase funding for NHS, target to spend 0.7% on overseas aid to remain, and new funding (Premium) for disadvantaged pupils.
- Security and defence review alongside Spending Review, involving Treasury
- Maintain nuclear deterrent, but scrutinise Trident to ensure value for money
- Restore earning link for basic state pension from April 2011 – in line with earnings, prices or 2.5% (whichever is highest).

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<sup>1</sup>[http://www.conservatives.com/News/News\\_stories/2010/05/Coalition\\_Agreement\\_published.aspx](http://www.conservatives.com/News/News_stories/2010/05/Coalition_Agreement_published.aspx)

### **3. Tax measures**

- Personal allowance for income tax increased – long term policy objective of increasing personal allowance to £10,000
- Raising of threshold for Employer NI
- Transferable tax allowance for married couples - Lib Dem MPs can abstain
- Seeking agreement on taxing capital gains (non business) at rates similar or close to income tax, with 'generous exemptions' for entrepreneurial business
- Commitment to tackle tax avoidance as a priority

### **4. Banking Reform**

- Banking levy will be introduced
- Proposals to be brought forward to tackle 'unacceptable' bankers bonuses
- Proposals to be brought forward to create a more diverse and competitive banking industry, including the promotion of mutuals
- Develop proposals to improve flow of credit to small and medium businesses.
- Independent commission to investigate separating retail from investment banking, one year to report
- Regulatory reform – with proposals to give Bank of England new powers to enforce and oversee

### **5. Immigration**

- Annual limit on number of non EU economic migrants.
- End the detention of children for immigration purposes

### **6. Political reform**

- Promote 'radical devolution of power' and greater financial autonomy to local government and community groups, with a review of local government finance.
- Bring in 5 year fixed term parliaments
- Referendum bill on electoral reform. If result is yes, provide for Alternative Vote system, and fewer and more equal sized constituencies.
- New legislation to recall MPs involved in serious wrongdoing – need petition by 10% of constituents
- New committee to bring forward proposals for a wholly or mainly elected upper chamber based on PR. Draft motions by December 2010.
- Bring forward proposals of Wright Committee for reform of Commons
- New commission to consider the 'West Lothian' question<sup>2</sup>
- Offer referendum on further Welsh devolution (Calman Commission proposals)
- Introduce statutory register of lobbyists. Pursue agreement on limited donations and reforming party funding

### **7. Pensions and Welfare**

- Set the date at which state pension age to rise to 66
- End all welfare to work programmes, creating single programme
- Revise contracts with welfare to work providers to reflect results, and reform funding to reflect the fact that initial investment delivers savings later on

### **8. Education**

- New providers of schools can enter state school system if parents demand it

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<sup>2</sup> Whether MPs from Wales, Scotland and Northern Ireland should vote on English matters

- Schools have more freedom over curriculum
- Wait for Lord Browne's final report into higher education funding – if response of the Government is one that Liberal Democrat's can't accept, then agreement they can abstain.

#### **9. Relations with EU**

- Limit the application of the EU working time directive<sup>3</sup>
- Amend 1972 Euro Treaties act so any proposed future treaty that transfers power subject to referendum, and would require primary legislation

#### **10. Civil Liberties – programme to include:**

- A freedom or Great Repeal Bill
- Scrapping ID cards, NI register, the next generation of biometric passports, contact point data base and storage of email records without good reason.
- Extension of Freedom of Info act
- Restore rights of non violent protest
- Safeguard against misuse of anti terror legislation
- Further regulation of CCTV

#### **11. Environment – programme to include:**

- Create a 'green investment' bank
- Continuation of proposals for public sector investment in Carbon Capture and Storage (CCS) technology for four coal fired power stations
- Establish emissions performance standard that will prevent coal fired power stations being built unless they meet the standard
- Cancel 3<sup>rd</sup> runway at Heathrow, no additional runways at Gatwick and Stansted
- Establish smart grid and roll out of smart meters
- Establish 'feed in tariff' systems in electricity, maintain banded Renewable Obligation Certificates (ROCs)<sup>4</sup>
- Promote increase in energy from waste through anaerobic digestion
- Replace Air Passenger duty with Per Flight duty
- Provision of floor price for carbon, plus efforts to persuade the EU to move towards auctioning of Emission Trading Scheme (ETS) permits
- A national recharging network for electric and plug in hybrid vehicles
- Seek increase in target for energy from renewable sources
- Government to draft national planning statement to Parliament for new nuclear power construction. Agreement that a Liberal democrat spokesperson can speak against, and Liberal democrat MPs can abstain

A longer document, the final **Coalition Agreement**, is due to be published shortly. This will include more details on these agreements, and details of other policy areas not included in this document. These will include foreign policy, defence and other domestic policy issues.

**Rachel Newton, Urban Forum, 14<sup>th</sup> May 2010**

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<sup>3</sup> Which limits the ability of employers to have employees doing over a 48 hours week

<sup>4</sup> The Renewables Obligation is the main support scheme for renewable electricity projects in the UK. It places an obligation on UK suppliers of electricity to source an increasing proportion of their electricity from renewable sources.