



HOUSE OF COMMONS
LIBRARY

KEY ISSUES FOR THE NEW PARLIAMENT 2010

HOUSE OF COMMONS LIBRARY RESEARCH

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Foreword



Welcome – or welcome back.

Here at the House of Commons Library, we are all acutely aware of the importance to Members of timely access to accurate information. To meet this need, the Library has not only a vast range of books, press and parliamentary material, but also a dedicated research service with 60 expert, politically impartial research specialists on everything from bank bonuses to Burma and social statistics to statutory instruments. They work only for you, and have an unrivalled understanding of what will help you do the many aspects of your job effectively.

Whether you need to ask the education specialist for a tailored and confidential briefing on a detailed policy issue, request reliable statistics to add weight to a point you wish to make in a debate, or discuss a complex constituency case with an immigration expert, the Library's staff endeavour to provide exactly what you need, when you need it. We also publish comprehensive briefings on legislation, economic and social trends, and topical issues. You will see these on display stands in all parts of the Parliamentary Estate and they can also be accessed online.

In this booklet you will find examples of the kind of work at which the Library excels: tailored, expert analysis of the issues that matter to Members. But this is just a glimpse of what we can do. Last year we published 1,300 briefing papers and answered 25,000 individual enquiries.

The beginning of a new Parliament is an exciting and challenging time for Members and parliamentary staff alike. I am a firm believer in a well-informed democracy, and the House of Commons Library is at the heart of this. We look forward to your putting us to the test.

John Pullinger

Librarian and Director General, Information Services

May 2010

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Introduction to House of Commons Library research

Enquiry services

Impartial, confidential and tailored enquiry services are at the heart of the Library's work. We provide advice, information and analysis on the full range of subjects of interest to MPs and their staff to support their parliamentary duties:

- Committee work
- Constituency issues and casework
- General briefing on matters of public interest
- Media appearances
- Overseas visits
- Parliamentary Questions
- Policy development
- Speeches both in the House and outside

House of Commons Library enquiry services are strictly confidential

The Library's expert specialist staff will discuss your enquiry with you and supply a response in a way and a timescale that best suits your needs.

To place an enquiry:

- Call the Library on x3666
- Email hclibrary@parliament.uk
- Speak to our staff in the Members' Library, Derby Gate Library or Members' Centre

For more complex enquiries, it may help to speak directly to the relevant subject specialist. A directory of specialists is available in hard copy or on the intranet.

The Library's expert team of research and information specialists can be relied on to provide the information you need, when you need it.

Directory of research specialists

Specialist		Subjects
Business & Transport (Section enquiries 3694)		
Louise Butcher	2501	Transport
Andy Clark	3975	Companies information
Tim Edmonds	4318	Financial services, company law, consumer credit
Vincent Keter	4317	Employment, equal opportunities, industrial relations, pay
Antony Seely	3625	Taxation
Djuna Thurley	0324	Pensions
Economic Policy & Statistics (Section enquiries 5510)		
Grahame Allen	3977	The economy, monetary policy, trade, investment, postal services
Daniel Harari	2464	Skills, training, welfare to work, labour market statistics
Adam Mellows-Facer	4904	Industries and regional development
Rod McInnes	3793	Labour market statistics
Ed Potton	2883	Wages, earnings, incomes, poverty, EU budget
Ian Townsend	2042	International development, international economies
Dominic Webb	4324	Public finance, taxation statistics
Home Affairs (Section enquiries 3636)		
Sally Almandras	4322	Crime, capital and corporal punishment, law and order
Lorraine Conway	5937	Consumer affairs, insolvency, debt enforcement
Grahame Danby	3691	Media, data protection, obscenity, privacy
Catherine Fairbairn	0929	Civil law, marriage, death, charities, legal profession
Gabrielle Garton Grimwood	5868	Prisons, probation, legal aid, women
Melanie Gower	6166	Immigration, asylum, race relations
Alexander Horne	0251	Justice system, terrorism, human rights, public law
Pat Strickland	6108	Public order, police, prisons, domestic violence
Philip Ward	3461	Arts, firearms, gambling, licensing, National Lottery
John Woodhouse	5036	Sports, voluntary organisations
International Affairs & Defence (Section enquiries 4329)		
Jon Lunn	3978	UK foreign policy, Commonwealth, Asia (South, South East and East), Africa (sub-Saharan), arms control (conventional)
Vaughne Miller	4327	European Union, Council of Europe, European Convention on Human Rights, Latin America
Ben Smith	3820	Central Asia, Eastern Europe (non-EU), Middle East, North Africa, North America, Australasia, international terrorism
Claire Taylor	3852	Defence, armed forces, nuclear proliferation, arms control (WMD)
Arabella Thorp	3621	International law (treaties, human rights, war crimes), United Nations, European countries, EU enlargement

Specialist		Subjects
Parliament & Constitution Centre (Section enquiries 6515)		
Oonagh Gay	0252	Constitution, referendums, Northern Ireland, civil servants and ministers, standards of conduct, freedom of information
Helen Holden	2219	Devolution
Richard Kelly	4948	Parliamentary procedure and modernisation, Members of Parliament (pay and allowances), political parties
Lucinda Maer	6217	House of Lords, Crown, religion
Keith Parry	4321	Local government
Isobel White	2219	Elections, devolution
Science & Environment (Section enquiries 4856)		
Elena Ares	6348	Climate change, animals, wildlife, technology, renewables
Christopher Barclay	3624	Agriculture, planning
Oliver Bennett	2263	Environmental issues, trade and environment, water, waste
Gavin Colthart	2882	Medicine
Emma Downing	1665	Information technology, telecommunications, the countryside and sustainable development
Donna Gore	6787	Energy
Louise Smith	2214	Civil defence, energy, health and safety and the fire service
Social & General Statistics (Section enquiries 5510)		
Statistics on:		
Gavin Berman	3851	Crime and justice, defence, media, arts, sport, local government finance
Paul Bolton	5919	Education, energy and environment
Lorna Booth	4313	Charities, health, social services, statistics policy, population, the census
Richard Cracknell	4632	Civil service, immigration, Parliament, pensions, population, elections, social security
Matthew Keep	6789	Housing, transport, agriculture, animals
Rod McInnes	3793	Social security
Gavin Thompson	4310	Crime and justice, health, gambling
Social Policy (Section enquiries 6128)		
Christine Gillie	6318	Education
Manjit Gheera	6918	Social services and family law
Sue Hubble	1478	Higher and further education
Steven Kennedy	3627	Social security, tax credits
Tom Powell	5751	Health services
Wendy Wilson	5615	Housing, conveyancing and land law
Tim Jarrett	5853	
Robert Long	4376	
Nerys Roberts	1478	

Pre-prepared briefings

Our impartial pre-prepared briefings are available to all MPs and their staff. Most are also available on the UK Parliament website. They come in three main series: Research Papers, Standard Notes and Debate Packs.

Research Papers

Research Papers are our most formal briefings. We provide in-depth and impartial analysis of every major piece of primary legislation. We also produce regular statistics updates and papers on other major topics of public and parliamentary concern.

DETAILED LEGISLATIVE BRIEFINGS

We are committed to producing Research Papers on every major Government Bill and the first seven balloted Private Members' Bills both in time for Commons Second Reading and following the Commons Committee Stage.

Research Papers are prepared for all major pieces of legislation: both before Second Reading and following the Committee Stage

STATISTICAL UPDATES

We produce three regular statistical Research Papers:

- Economic Indicators provides a monthly summary of major regional, national and international economic data
- Social Indicators analyses major social trends and is published at the beginning of each parliamentary term
- Unemployment by constituency provides unique monthly analysis of the labour market in each UK constituency

OTHER RESEARCH PAPERS

The House of Commons Library produces a variety of other Research Papers on major current issues. These include analyses of election results, detailed examinations of controversial policy areas and major events, and expert surveys of international issues.

Research Papers are available on the Parliamentary Intranet, the Internet and in various locations throughout the Parliamentary Estate.

Standard Notes

Standard Notes are less formal briefings, produced on topical issues or in response to frequently asked questions. Many are continually updated.

Since they were introduced in the early 1990s, over 5,000 Standard Notes have been published and around 1,000 are newly written or updated each year. They cover an enormous range of subjects. Some focus on legislation or major issues of national and parliamentary debate. Others are designed to better equip MPs and their staff to address the concerns of constituents.

Recently updated Standard Notes include:

Interest Rates and the Money Supply: Economic indicators page

Nuclear test veterans - compensation

Planning for Constituency Cases

Fixed term parliaments

The Chagos Islanders

Banking Crises: lessons from abroad

Regulation of tattooing and body piercing businesses

Digital Economy Act 2010: Copyright

Constituency History: Birmingham Erdington

National rail usage and performance: Social Indicators page

Standard Notes are available on the Internet and Parliamentary Intranet. Topical Standard Notes are available in locations throughout the Parliamentary Estate.

Debate Packs

Debate Packs are collections of parliamentary, press, research and other relevant material produced for most non-legislative debates in the Chamber and Westminster Hall, including adjournment debates of longer than half an hour.

Debate Packs are available via the Parliamentary Intranet, from the Members' Library and other locations around the Estate.

Library and reference services

Reading rooms in the Members' Library (for Members only) and Derby Gate (Members and Members' staff) provide areas where you can work quietly and use the wide range of parliamentary, reference and legal resources available. PCs and wifi access are available. In both these locations, and in the Members' Centre, we can provide assistance with:

- Parliamentary enquiries: including finding PQs and debates in Hansard and tracing parliamentary and deposited papers
- Reference enquiries: including finding press articles and access to newspapers, periodicals and reference works
- Research requests: including finding Library briefings and putting you in touch with specialists

We have an extensive collection of books available for loan. The loans service is situated in the Members' Library or can be contacted on x1515. We provide an interlibrary loans service, which includes journal articles, and can also help you to obtain other material such as recordings of news and current affairs programmes.

Training and support

Staff are available in the reading rooms to provide hands-on assistance with finding information or using Library services. Introductory sessions and talks on Library services for Members' staff are also available.

We offer training and support for users wishing to learn more about information resources and getting the best from library services, and a series of seminars providing an introduction to Parliament and its documentation.

Talks and seminars on topics of parliamentary interest are offered by our subject specialists and outside experts. These are offered most weeks when the House is sitting.

For details of our regular schedule of training courses and talks or to join our email subscription service, please visit our Intranet pages or call us on x3666.

Online services

We provide a wide range of services on the Parliamentary Intranet, including:

- Bill Gateways, a 'one-stop shop' for useful information on legislation before Parliament
- Library briefings, sources and Parliamentary material arranged by subject
- Statistical resources, including detailed constituency and local-level data
- A toolkit to help with constituency casework
- A range of current awareness services and email alerts
- Access to a range of publications including reference works, newspapers, periodicals and other high quality information services
- The Library's on-line catalogue of books and other holdings
- A search engine, PIMS, that will enable you to find parliamentary publications and other information relevant to the work of the two Houses

Our intranet homepage is <http://intranet.parliament.uk/commons-library>

KEY ISSUES FOR THE NEW PARLIAMENT 2010

HOUSE OF COMMONS LIBRARY RESEARCH

General election 2010

Gavin Thompson

An election of uneven swings at local level returned a hung Parliament

No one party won an overall majority, for the first time in the UK since February 1974. The Conservatives won the most seats, 305, gaining 96 compared with notional 2005 general election results on the new constituency boundaries. Labour lost 90 seats, leaving them with 258, while the Liberal Democrats were down five on 57. However, the pattern was uneven: all three major parties both gained and lost seats.

VOTES AND SWINGS

The Conservatives won 36.0% of the vote, up by 3.7% points and a higher share of the vote than Labour won in securing an overall majority in 2005. Though they lost seats and underperformed their opinion poll position in the lead up to the election, the Liberal Democrat share of the vote was up 1.0% points to 23.0%.

Between them, therefore, the Conservatives and Liberal Democrats won 59.0% of the popular vote, the largest share for a subsequent Government since World War II. Labour won 29.0% of the vote, their lowest since 1983 and down 6.2% points compared with 2005. 35% of voters voted for parties other than Labour and the Conservatives, the highest since 1918.

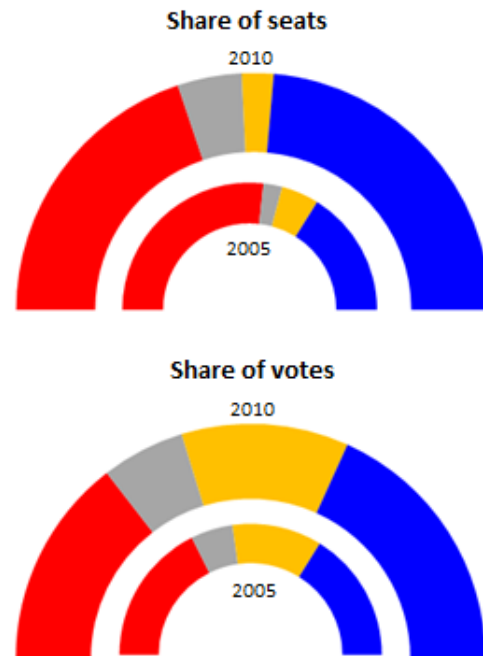
The swing from Labour to the Conservatives was 4.9%. However, there was considerable variation between seats. Some top Conservative targets did not change hands, whereas some requiring much larger swings than the national average did.

29.7 million people cast valid votes, a turnout of 65.1%, 3.7% points more than in 2005.

SMALLER PARTIES

The Conservative-Liberal Democrat coalition leaves the DUP the second largest opposition party, with 8 MPs, though their leader, Peter Robinson, lost his seat. The Scottish National Party were unchanged on six seats while Plaid Cymru were up one on their notional 2005 position with three seats.

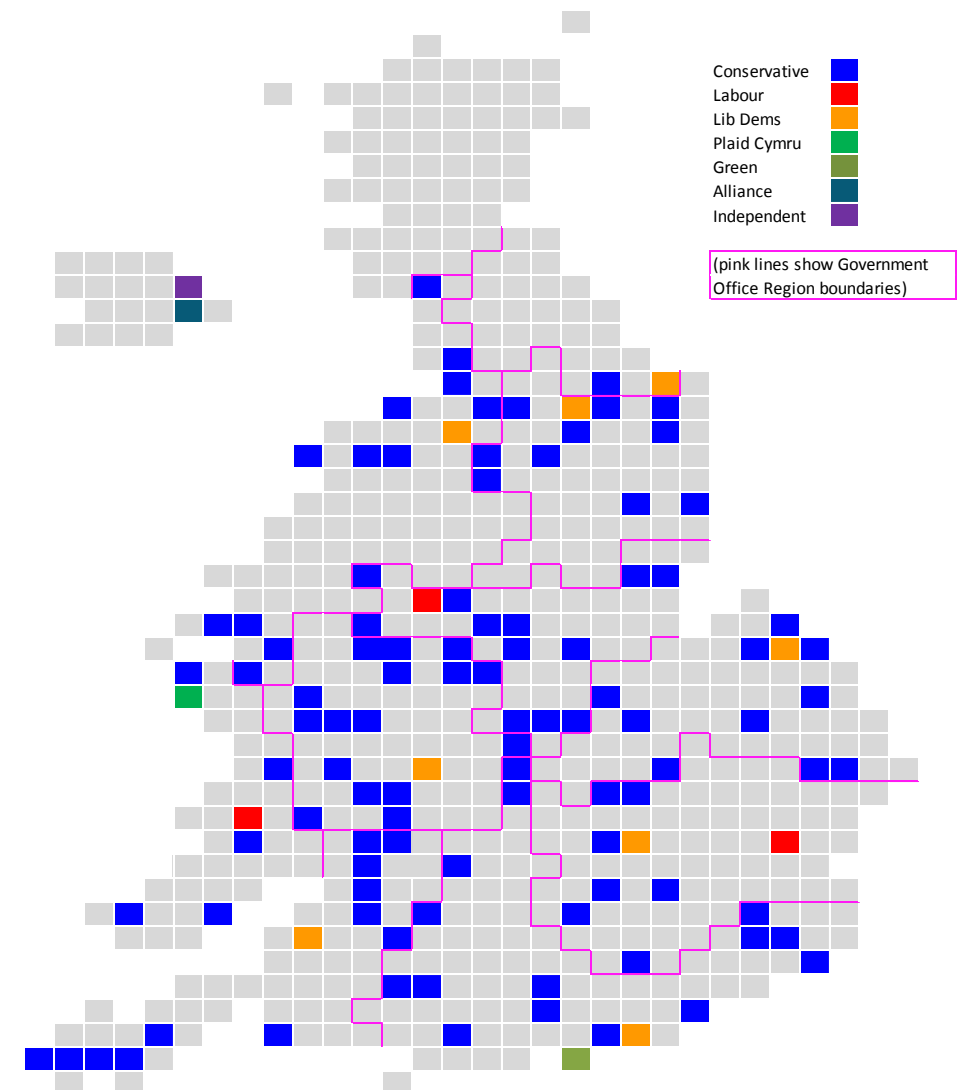
The Green Party and the Alliance Party won their first House of Commons seats. The BNP and UKIP both increased their shares of the vote but did not come close to winning a seat.



An uneven election

Seats changing hands by seat winner

Constituencies are all shown equally sized. Comparisons are with notional 2005 results



Characteristics of the new House of Commons

Matthew Keep

High turnover has contributed to a House of Commons that is more representative of the population than ever before

Following the 2010 general election, 227 new MPs have taken their places in the House of Commons. They amount to 35% of total membership. The new intake has resulted in changes to the characteristics of MPs as a group.

GENDER AND ETHNICITY

141 women MPs were elected, the highest number ever and 13 more than in 2005. 47 of these women are Conservative, up from 17 in the 2005 election. Labour still accounts for a majority of female MPs, as it has at each general election since 1987.

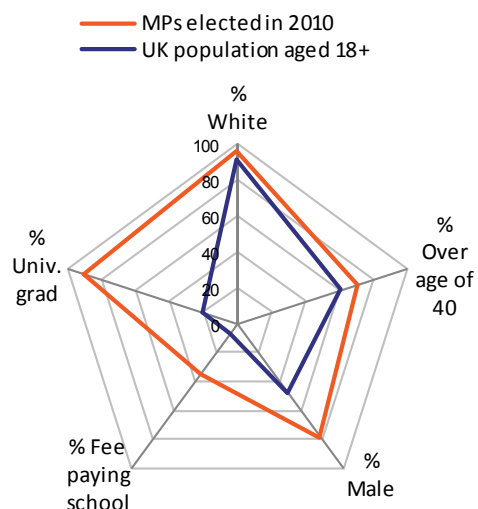
Women MPs make up 22% of the House. That proportion is higher than of judges or directors of FTSE 100 companies, but lower than of senior civil servants or Members of the Scottish Parliament and National Assembly for Wales.

The number of ethnic minority MPs has increased by nearly three-quarters to 26, or 4% of the total number of MPs. The first three Muslim female MPs have been elected, all of them Labour candidates: Shabana Mahmood, in Birmingham Ladywood; Rushanara Ali, in Bethnal Green and Bow; and Yasmin Qureshi in Bolton South-East. All ethnic minority MPs are either Labour (15) or Conservative (11).

AGE AND EXPERIENCE

The average age of MPs following the election has fallen slightly to 50 years old. Over the last 30 years the average age of MPs following elections has remained stable

MPs' characteristics differ from the population they serve



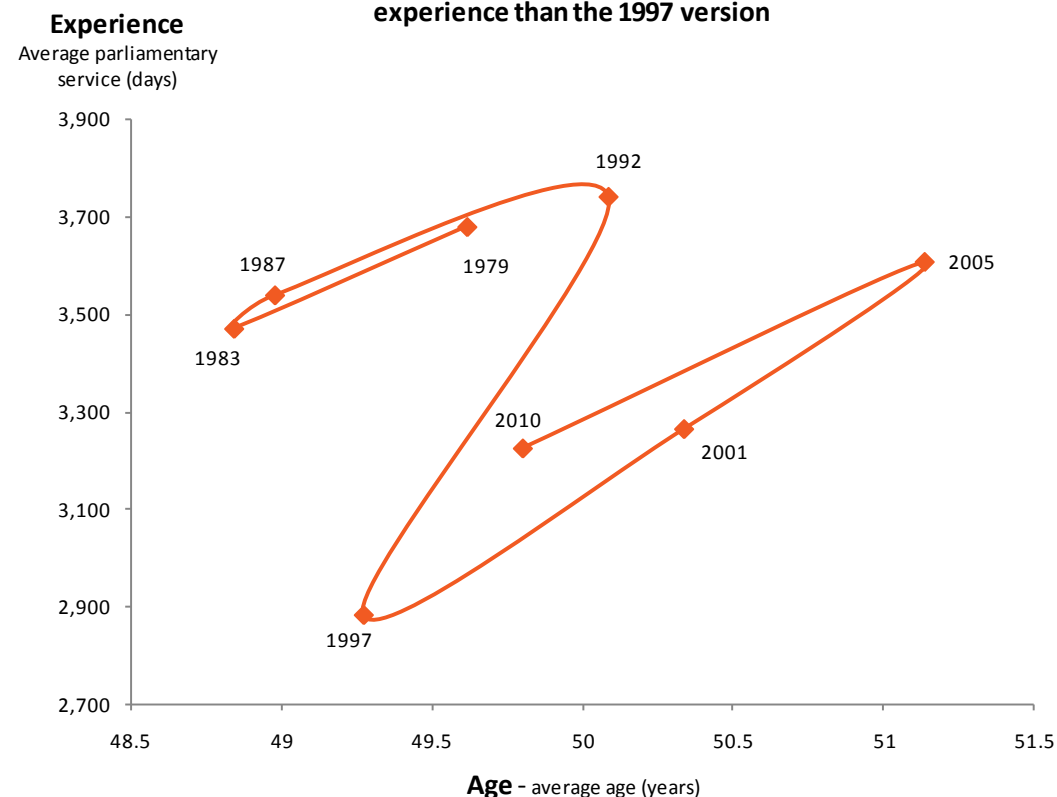
around this level, though perhaps contrary to the opinion of some long-serving Members, the new House is slightly older on average than those in 1979, 1983 and 1987.

Given the high turnover, it is unsurprising that the average parliamentary service of MPs has also fallen. The average service of MPs elected in 2010 is 3,226 days, over a year less than the average of 3,609 days following the 2005 general election. However, average service has not decreased by as much as it did following the 1997 general election.

HOW REPRESENTATIVE OF THE POPULATION ARE MPS?

Despite increases in the ethnic diversity of MPs, the number of women and a fall in the

The new House of Commons is older and has more Parliamentary experience than the 1997 version



average age, the 'population' of the House of Commons remains very different to the UK population it serves.

Some of the most marked differences between the UK population and MPs are seen in education. 90% of MPs are university graduates, compared with 20% across the adult population. Over a quarter of MPs went to Oxford or Cambridge.

More than one-third of MPs elected in 2010 attended fee paying schools (including

twenty Old Etonians), compared with less than 10% of the adult population.

The House of Commons is more reflective of the population it represents than ever before. However, it remains the case that more than 400 MPs, 62% of the total, are white men aged over 40.

A hung parliament

Lucinda Maer

Our constitution provides for procedures in a hung parliament, but recent events may result in pressure for change

After a general election, the party that holds a majority of seats in the House of Commons forms the government. When no party gains more than half the seats, our “unwritten” constitution allows for negotiations, coalitions and minority governments.

FORMING A GOVERNMENT

The constitutional position in a situation of no overall control is clear. When no party holds the majority of seats, the incumbent Prime Minister has the first call on forming a government, either as a minority administration or by building a coalition with another party or parties. The first parliamentary test of a minority or coalition government is the vote on an amendment to the Queen’s Speech. If the Queen’s Speech is amended, the Prime Minister must resign. The Conservative party lost their majority in the December 1923 election. They put their programme to the House in January 1924 as a

The UK has not been governed by a formal coalition in peacetime since the National Government of 1931-40. The Labour/Liberal pact of 1977-78 did not go further than support on key votes. There had been negotiations between Labour and the Liberal Democrats on political reform before the 1997 election. In the event no coalition was considered necessary although Paddy Ashdown did temporarily sit on the Cabinet Committee concerned with constitutional reform. There have, however, been coalition governments in both Scotland and Wales since devolution and in other European countries, coalition governments are common.

minority administration and lost a vote on the King’s Speech. Ramsay MacDonald was called to form a Labour administration.

The 2010 general election left Gordon Brown as a “caretaker” Prime Minister while negotiations took place to form a government. The last time comparable events occurred was following the February 1974 election. Edward Heath resigned as Prime Minister on the Monday following polling day after talks with Jeremy Thorpe, leader of the Liberals, failed to produce a coalition agreement. Thorpe had attempted to meet Heath without the glare of publicity, walking through muddy fields to escape detection on his way to London. By contrast, in 2010 the party leaders all made public statements and negotiations took place in an era of rolling news coverage. Some pressure was exerted for an outcome to be reached as quickly as possible, with financial markets looking for reassurance of stability.

A BALANCED COMMONS?

In recent years, large parliamentary majorities have been the norm. Sitting hours have become more predictable and proceedings through the night have become rare. When the Conservative Party lost its majority in February 1997 through a succession of defections and by-election defeats, sittings often went late into the night and the outcome of votes was uncertain. Such practices could return. There could be an increased media focus on the Commons, and a rebalance towards the chamber from constituency work by Members. The impact of a lone rebel on the sustainability of the Government could lead to stronger whipping. Backbench rebellions may become rarer as

individuals may not wish to inadvertently bring down an administration. Past experience shows that the amount of legislation passed during periods of minority government does not alter dramatically from majority administrations.

Governments do not have to win every vote in the Commons to remain in power. The votes that matter are ultimately those of confidence and supply. A motion of no confidence may be tabled, or a government can make it clear that a particular vote is an issue of confidence and a defeat would be taken as a resigning matter. Supply motions provide funding for government policy and a defeat would likewise require the administration to fall. In July 1993 the Conservative Government lost a vote on legislation to do with the Maastricht Treaty but won a subsequent confidence motion.

Scotland has been governed by coalitions since 1999. Until 2007 there was a Labour/Liberal Democrat coalition administration. In 2007 the Greens agreed to sustain the SNP as a minority government in return for commitments on the environment. Since then, the SNP has lost several important votes without anyone having to resign.

A SUSTAINABLE PARLIAMENT?

The Prime Minister advises the monarch on the timing of general elections. A dissolution may only be refused if it is improperly or unconstitutionally sought. Hence a defeated Prime Minister cannot ask for a second attempt at winning a majority. If an incumbent Prime Minister fails to form an administration or loses the vote on the

Queen’s speech, the party or parties likely to be able to form an administration are asked to do so. Only once they have shown they can command the confidence of the House could they properly seek and be granted a general election.

Must an uncertain general election result inevitably lead to another general election soon after? In 1924 the minority Labour administration lasted from February to October of that year before the loss of a confidence motion triggered a dissolution. In 1974 Wilson governed from February until October before seeking an election. As the loss of a confidence motion usually triggers a dissolution, the Opposition must be ready to fight a general election before inflicting such a defeat.

PRESSURES FOR REFORM?

Without a written constitution, a series of conventions and precedents inform processes in a situation of no overall control. In February 2010, those precedents were drawn together and published by the Cabinet Office as a draft chapter of a larger Cabinet Manual not yet completed. Lessons learned from the 2010 election results and the subsequent Parliament will no doubt feed back into future versions of this document. In addition, the election result may mean moves towards a more proportional voting system where coalitions might be more common. Pressure might grow for fixed term Parliaments, or an investiture vote at the beginning of a Parliament to confirm an individual as Prime Minister. We will only be able to judge the full consequences of the 2010 election for our constitution in some years to come.

Parliamentary standards and reputation

Richard Kelly

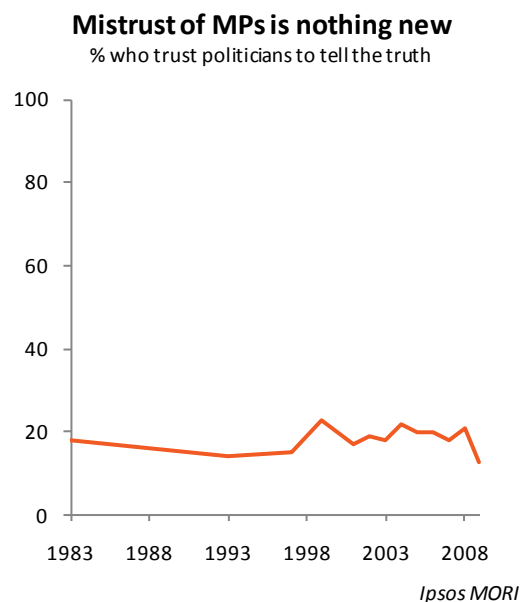
Building on the creation of IPSA, parties have further proposals to restore trust in politics - but mistrust is longstanding

Press and public reaction to the 2009 expenses scandal prompted political parties to end the practice of MPs determining their own allowances, and to address wider questions about the role and reputation of the House of Commons. Further pressure followed the disclosure that MPs had offered to lobby ministers for money: all three main parties responded with immediate proposals to regulate lobbying. The new Parliament will be under the spotlight as never before for probity, but may also host a more widespread debate about what MPs are there to do.

Although many advocated an immediate General Election to bring closure to the expenses scandal, the political parties worked together in an attempt to rebuild trust. The party leaders and Speaker agreed immediate changes to the 'second home' allowance in May 2009 and agreed to create an independent body to determine allowances for Members. Individual parties also took steps to prevent some MPs from standing at the General Election; and three former MPs are before the courts as a result of their expenses claims.

IPSA

The Parliamentary Standards Act 2009 established the Independent Parliamentary Standards Authority (IPSA), covering the Commons only. A transitional IPSA team began work in autumn of 2009. In March 2010, the new body published *The MPs' Expenses Scheme*, which came into force on the day after the General Election. Members have no role in approving the Scheme. *The Scheme depends on IPSA interpretation at some key*



points. Will MPs challenge its authority? Will the public be convinced that the new system is more robust and sufficiently independent?

While the November 2009 Committee on Standards in Public Life's review of Members' expenses welcomed the creation of IPSA, it recommended that IPSA should also have responsibility for MPs' pay. Subsequently, the Parliamentary Standards Act 2009 was amended to give IPSA responsibility not only for Members' pay but also for pensions. Other changes created a Compliance Officer to investigate allegations on misuse of allowances. *Will the Compliance Officer model prove effective in dealing with subsequent allegations, or will the Officer's authority be challenged by legal action by MPs?*

The behaviour of MPs is now subject to scrutiny from various watchdogs. The non-statutory

Parliamentary Standards Commissioner investigates complaints about failure to register or declare financial interests or inappropriate lobbying in Parliament – all of which are breaches of the Members' Code of Conduct. The IPSA Compliance Officer will investigate expenses matters. The Electoral Commission has a statutory role to check that donations and loans to MPs are properly recorded. There has been a marked shift away from the traditional self-regulation of the House, although the basic principles of parliamentary privilege have been left intact. We can expect the activities of IPSA to be subject to sustained scrutiny by MPs, as the new body develops its authority over expenses, independently of the House of Commons. IPSA is also committed to consult on the role of an MP. *Will suggestions from IPSA that it has a role in determining the proper activities of MPs prove controversial, as MPs balance constituency concerns against the demands of scrutiny of legislation and policy?*

LOBBYING

The political parties responded to concerns over lobbying in March 2010, and set out proposals in their manifestos. The Labour Party and the Liberal Democrats both proposed a statutory register of lobbyists while the Conservatives said they would concentrate rule changes on former Ministers taking up lobbying and business posts; they would legislate if the lobbying industry did not regulate itself. Labour also proposed further regulation of MPs' employment outside Parliament. Would all lobbyists, even charities, have to appear in a statutory register? Who would regulate failures to register? Should those being lobbied have to report each approach by lobbyists? How should

ex-Ministers be regulated? Should MPs be allowed to take on any paid outside work?

RECALL

Should the public not be satisfied with the way with which future wrongdoing is dealt, the three main parties have all proposed that Members could be subject to the right of recall. The right of recall is a mechanism allowing voters to trigger a procedure that could lead to the removal of a sitting representative between General Elections. The concept has a long political history and was the means used in the United States in 2003 to remove Governor Gray Davis of California, who was subsequently replaced by Arnold Schwarzenegger following a special election. What is serious wrongdoing? Will IPSA or the Committee on Standards and Privileges have to reach a judgment before the public can indicate their views? Will recall be used in practice and if so, will it work?

WILL THE REPUTATION OF THE HOUSE OF COMMONS AND ITS MEMBERS BE RESTORED?

Will these measures result in an improvement in the reputation of the House of Commons and MPs? It is far from clear. The Hansard Society's 2010 Audit of Political Engagement found that the expenses coverage acted mainly to harden long-standing scepticism among those already inclined to distrust politicians. If politicians were not trusted long before the scandal, can these changes be reasonably expected to increase trust?

Electoral reform

Isobel White

The hung parliament has put electoral reform at the forefront of the political agenda

All the major parties have proposed some form of electoral reform. However, the nature of those proposed reforms and the implications for the House of Commons differ greatly.

CONSERVATIVES: FEWER MPS

David Cameron said in 2009 that politicians had to “play our part and take a lead” in cutting public spending. He proposed that the number of MPs should be cut from 650 to 585 and that constituency electorates should be equalised across the UK; they currently tend to be lower in Wales, Northern Ireland and in urban areas. To implement these changes, a boundary review under new rules would be conducted within five years.

BOUNDARY COMMISSION REVIEWS

Under the Parliamentary Constituencies Act 1986, as amended by the Boundary Commissions Act 1992, the Boundary Commissions for England, Scotland, Wales and Northern Ireland are required to conduct simultaneous general reviews of all constituencies every 8 to 12 years. The fifth periodical review was completed in 2008.

The Boundary Commissions have to ensure that the new constituency electorates are as close as possible to the electoral quota, the average number of electors per constituency. The electoral quotas for the fifth general review were 69,935 for England and Scotland; 55,640 for Wales and 60,969 for Northern Ireland. There are additional rules regarding local authority boundaries, total numbers of seats and special geographical considerations.

In its fifth review, the Boundary Commission

for England noted that the rules for the redistribution of seats are unsatisfactory and called for a full review of the legislation. The Committee on Standards in Public Life has also called for a review and subsequent amendments to legislation before the commencement of the sixth general review, due around 2012.

There were large disparities in constituency electorates at the 2010 general election. The largest constituency was the Isle of Wight with 109,902 electors, more than five times the smallest, 21,780 in Na h-Eileanan an Iar.

Critics of the Conservative plans claim they are motivated by self-interest, suggesting that areas with low constituency electorates currently tend to coincide with low Conservative support. These areas would tend to lose MPs under the plans.

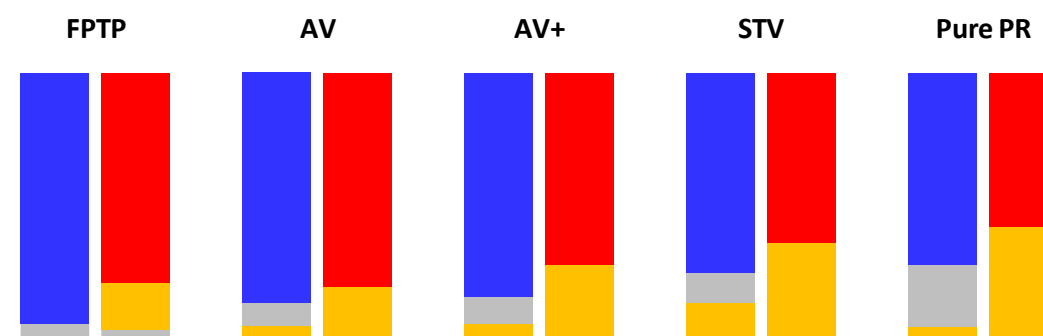
LABOUR: AV

Labour has proposed a non-partisan Parliamentary Boundary Review to examine the rules for the redistribution of seats, together with a referendum on introducing the Alternative Vote (AV) system for elections to the Commons. Provisions in the Constitutional Reform and Governance Bill to hold a referendum on introducing AV were withdrawn in the ‘wash-up’ period before the election, to allow less contentious provisions to be enacted.

Under the AV system, voters rank candidates in order of preference. The winning candidate must have 50% of the votes so the votes for lower-placed candidates are distributed in succession until one candidate has more than 50%. The constituency link characteristic of

Different electoral systems produce very different results:

Estimates of 2010 result using different systems, no behavioural change



Each column represents 325 House of Commons seats - half of the total

Electoral Reform Society estimates

the current first-past-the-post (FPTP) system is retained. The AV system is not a proportional voting system, but a majoritarian one. Critics point to the fact it can produce an even more disproportionate distribution of votes into seats than FPTP.

AV PLUS

The Independent Commission on the Voting System (Jenkins Commission), set up in 1997, recommended a mixed voting system, ‘AV plus’. Some MPs would be elected using AV, with the rest being ‘topped up’ from regional lists to bring more proportionality.

LIBERAL DEMOCRATS: STV

The Liberal Democrats favour the Single Transferable Vote (STV) system and 150 fewer MPs. Under STV, voters rank candidates in multi-member constituencies. The winning candidates must reach a certain quota of votes in order to be elected and the surplus votes

for elected candidates and votes for the least popular candidates are redistributed according to voter preference.

Supporters of STV say there are fewer ‘wasted votes’ under the system than FPTP and that it retains the opportunity for voters to evaluate individual candidates. It also produces a more proportional result than AV - though not as proportional as party list systems. Critics say the system is too complicated to understand and that the link between an individual MP and their constituency is lost. Advocates of FPTP argue that proportional voting systems lead to weak and indecisive government.

Different electoral systems produce very different election results. Electoral systems were prominent in the political negotiations in the days following the general election. The consequences of the debate could define the course of UK politics for decades to come.

The House of Lords

Lucinda Maer

Reform of the House of Lords, long a hung chamber, remains on the agenda

House of Lords reform is a piece of “unfinished business” from the Labour governments of 1997-2010. The majority of the hereditary peers were removed by the *House of Lords Act 1999* and the *Constitutional Reform Act 2005* removed the law Lords. Further reform was much talked about but never occurred.

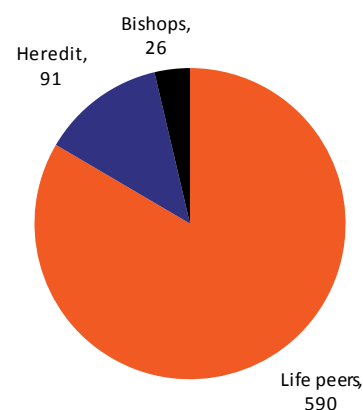
MEMBERSHIP AND ROLE OF THE SECOND CHAMBER

The majority of members of the House of Lords are life peers. Nominations for life peerages are passed from the Prime Minister to the Queen, and originate either through political parties or, since 2001, through the non-statutory Appointments Commission.

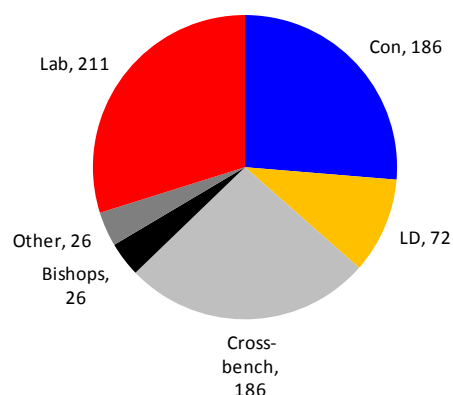
No one party has overall control in the House of Lords. Since 1999 peers have been appointed roughly in proportion to the share of votes cast in the most recent general election. Coalitions must be built across party groups and ‘cross benchers’ in order to avoid or inflict defeats. The Standing Orders in the Lords provide few opportunities for debate to be curtailed and there is no selection of amendments. As well as large numbers of former MPs, the membership of the House of Lords includes notable experts and cross-benchers often from outside party politics. The House of Lords is often praised for its consensual style, its considered approach to scrutiny and the combined knowledge of its membership.

The removal of the majority of the hereditary peers, together with the size of the Government majority and concerns about the scrutiny function in the Commons, has arguably given the House of Lords a greater sense of

Life Peers dominate
House of Lords membership by peerage type,
April 2010



A hung chamber
House of Lords membership by party,
April 2010



legitimacy and purpose. This has resulted in a more assertive chamber which is willing and able to cause government defeats. For example, during the passage of the Prevention of Terrorism Bill 2004-05 the Lords inflicted eighteen defeats over the detention of terrorist

suspects. Although the government can bypass the House of Lords by using the Parliament Acts, the conditions and political will required to do so means its use is rare. The two Chambers therefore often have to compromise during the legislative process.

SIZE AND STANDARDS

The House of Lords is one of the largest parliamentary chambers in the world, second only to the Chinese National Party Congress. It is likely to grow further, with an increased number of Conservative peers required to rebalance numbers and a dissolution list expected from Gordon Brown. This is despite the fact the major parties all advocate a smaller second chamber in the longer term.

Despite some unfavourable publicity regarding the appointments process, lobbying and alleged financial impropriety, the House of Lords remains largely self-regulated. It preferred not to transfer its expenses system to the new Independent Parliamentary Standards Authority. Reform measures included in the *Constitutional Reform and Governance Bill 2009-10* would have allowed peers to resign, enabled the expulsion of peers in cases of wrong-doing, and ended the by-elections for hereditary peers. However, these provisions were all removed during ‘wash-up’.

TOWARDS REFORM?

More fundamentally, it is widely held that the composition of the second chamber is undemocratic. Along with the Canadian Senate, it is one of just two unelected second chambers that exist in major democratic states. In 2007, free votes in the House of Commons came out in favour of both an 80% elected

and 100% elected chamber. The major political parties have all pledged to introduce either a majority or totally elected second chamber.

However, the previous administration found that despite a Royal Commission report, five government white papers, a select committee report, and indicative votes on composition being held twice during the period in both chambers, no clear way forward towards a “more democratic and representative” second chamber emerged. The difficult questions remain. For example, how would the primacy of the House of Commons be retained? Which electoral system would be appropriate? If an appointed element is to be retained, what process should be used? Should there be a continuing role for Church of England representatives? Would opposition in the House of Lords impede the passage of legislation?

LIMITS ON THE POWERS OF THE HOUSE OF LORDS

The **Parliament Acts** of 1911 and 1949 mean that any bill (except one to postpone a general election) that passes the Commons in two successive sessions can be presented for Royal Assent without the consent of the Lords, as long as certain time restrictions apply.

The **Salisbury Convention** requires the House of Lords not to reject at second reading any government legislation that has been passed by the Commons and that carries out a manifesto commitment.

The Lords may not amend bills relating to **taxation or government expenditure** and under the Parliament Acts the amount of time given to scrutiny of the Finance Bill in the Lords is limited.

Scrutiny in the House of Commons

Richard Kelly and Lucinda Maer

Moves to strengthen the role of backbenchers began in the previous Parliament, but many issues remain unresolved

Who controls what is debated and how Parliament scrutinises the executive affect parliamentarians' and the public's confidence in the House of Commons. The lack of power of backbenchers in determining what the House debated and in controlling the House's activities was a source of frustration during the last Parliament. The strength of the Government in Parliament and the dominance of the party whips were lamented despite the frequency of backbench rebellions.

The expenses scandal prompted a great deal of soul-searching that enabled wider questions on the role of Parliament and Members to be considered. The Government agreed to the establishment of a time-limited Select Committee on Reform of the House of Commons. Although some of the Committee's recommendations have been agreed and implemented, momentum will be needed to finish this exercise. Moreover, many of the unresolved questions underlying the Reform Committee's report will remain. There will still be tensions between the House's functions of scrutinising and sustaining the Government, and Members' responsibilities to constituents, duties in the House, and their allegiance to a party.

THE SELECT COMMITTEE ON REFORM OF THE HOUSE OF COMMONS

The Reform Committee's terms of reference required it to consider the scheduling of business in the House, the system of appointments to select committees, and the possibility of proceedings in the Chamber being initiated by the public. The Committee's report, *Rebuilding the House*, was published

in November 2009 and focused on giving backbenchers more control over what happens in the Commons.

SELECT COMMITTEES: ELECTION OF SELECT COMMITTEE CHAIRS AND MEMBERS

Appointments to the departmental select committees, which provide scrutiny of government policy and administration, have been to a greater or lesser degree controlled by party whips. The Reform Committee recommended that many select committee chairs should be elected by the House with select committee members elected within political parties. Party balance of committee places and chairs would continue to reflect the proportions of seats in the House. The House of Commons agreed with these proposals and made the necessary changes to Standing Orders in March 2010.

The first elections of select committee chairs will begin shortly

Within a week of the Queen's Speech, the parties will need to determine which of them will provide chairs for which select committees. Then nominations will be sought; manifestoes may be issued, possibly followed by hustings; and elections will take place within the following two weeks. The parties will also need to decide how to run their internal ballots for the election of the remaining committee members. Reformed committees may be more independent of party whips and enjoy higher profiles both in Westminster and beyond.

THE SCHEDULING OF BUSINESS IN THE HOUSE

The standing orders of the House give the Government control over much of the agenda of the House of Commons. The Reform Committee proposed that a Backbench Business Committee should be appointed to schedule backbench business; and that a House Business Committee should be established to schedule all business before the House: it would include the Backbench Committee and representatives from the Government and opposition. Although the House agreed with the proposal for a backbench business committee and approved the establishment of a House Business Committee during the course of the next parliament, no time was provided to debate new standing orders to implement these changes and they were not agreed before the House dissolved.

Will the new Government cede some control of the House's agenda?

The new Government will need to decide whether and how to implement these changes. Both the Conservative Party and the Liberal Democrats outlined plans to give MPs some control over the parliamentary agenda; and both intend to address the time for and constraints on debating legislation. Decisions need to be taken on the pattern of sittings, including September sittings. Changes to sitting times may follow. The timing of Prime Ministers' Questions may also be considered.

Public initiation of business

The Reform Committee also considered the question of public initiation of business. The House has already agreed some changes to the way in which petitions are presented and is examining how petitions could be debated. The Conservatives set out additional plans in their manifesto:

- any petition that secures 100,000 signatures will be eligible for formal debate in Parliament.
- the petition with the most signatures would enable members of the public to table a bill eligible to be voted on in Parliament.
- a new online Public Reading Stage for bills

The new Government may also come under pressure to change other procedures, such as for private Members' bills and on opposition days, flagged up by the Reform Committee.

THE NEW HOUSE WILL DECIDE ON REFORM

Providing additional time for scrutiny, changing procedures and opening up further areas of government responsibility to scrutiny are very different to ceding any control over setting the House's agenda. With important parts of the Reform Committee's agenda left unimplemented, there is uncertainty over the momentum and desire for further reform. Will the new Government be willing to give up their control over parliamentary time? And will the new House choose to assert itself in taking control of the agenda, as envisaged by the Reform Committee?

The economic recovery and the budget deficit

Dominic Webb

Economic recovery will help reduce the deficit but discretionary policy tightening is also needed

Reducing the budget deficit will be the central economic challenge of the new Parliament. The deficit is forecast to be £163 billion (11.1% of GDP) this year: a very high level by historical standards. The Treasury forecasts that this will fall to £74 billion (4.0% of GDP) by 2014/15. This would still be higher, as a share of GDP, than any year between 1996/97 and 2007/08.

Much of the high deficit can be attributed to the recession. However, the recession has affected the public finances in a number of ways: in temporary effects related to the economic cycle and other more permanent or structural effects.

CYCLICAL EFFECTS

Firstly, there is a temporary effect on the level of government borrowing related to the downturn in the economic cycle. In a recession, government borrowing tends to increase as tax receipts are reduced and spending on unemployment benefit increases. A 100,000 increase in unemployment costs the Treasury £500 million. The reverse happens when the economy is growing strongly. These effects happen without any changes in government policy and are sometimes known as the economy's "automatic stabilisers".

As the economy recovers, the deficit will automatically be reduced as tax revenues increase and unemployment falls.

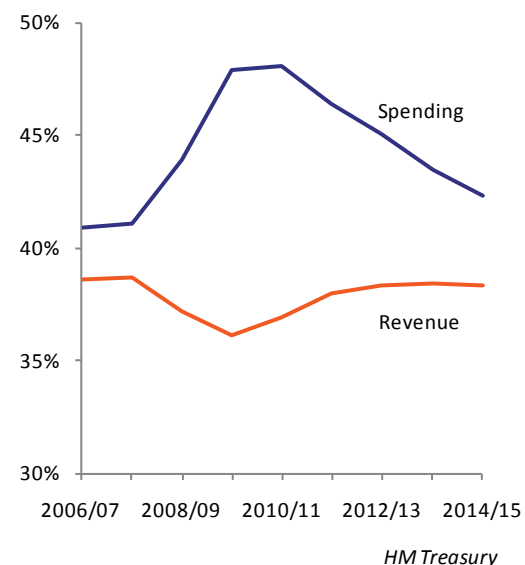
However, there is no clear consensus on the pace and timing of the recovery. In the 2010 Budget, the Treasury was optimistic about the economic outlook, forecasting growth of 3%

or more in 2011 and 2012 after more modest growth of 1 to 1½% this year. Independent forecasters take a more cautious view, expecting growth of 1.3% this year and 2.1% in 2011. If the economy were to grow at this slower rate, the deficit would fall more slowly.

STRUCTURAL EFFECTS

These temporary effects, related to the economic cycle, are only part of the story. The fiscal crisis has also had significant permanent or structural effects on the economy. The Treasury assumes the crisis has had a permanent downward effect on the economy's productive potential. The fiscal

The gap between spending and revenue is forecast to narrow
% of GDP, outturn and forecasts



DIFFICULTIES OF FORECASTING THE BUDGET DEFICIT

It is not easy to forecast the budget deficit accurately.

The deficit is the difference between two large, uncertain numbers: government revenue and spending. If spending were 1% lower than forecast and revenue 1% higher, the deficit would be £12 billion (over 7%) lower.

Unexpected differences in spending or revenue tend to be in opposite directions. For example, if the economy performs worse than expected, tax revenue will tend to be lower and spending higher. This magnifies the effect.

These problems are illustrated by the change in the Treasury's estimate of borrowing for 2009/10, which fell by £11 billion in the three months between the 2009 Pre-Budget Report and the 2010 Budget. This is the equivalent of more than 2p on the basic rate of income tax.

crisis has also had an important structural effect on the financial and housing sectors of the economy. Before the crisis, these were important sources of tax revenue. The fiscal crisis means a permanent loss of revenue from these sectors of the economy.

As a result, a large part of the budget deficit is structural, as it is not related to the ups and downs of the economic cycle. The Treasury estimates that the structural deficit currently accounts for around two-thirds of the total, with cyclical factors accounting for only a third. These estimates are, however, subject to a considerable degree of uncertainty.

A large structural deficit raises concerns, as this will not be reduced by the economic recovery. This explains the importance of discretionary measures to cut the deficit.

The Labour Government announced a freeze in public spending over the next few years as well as a number of tax increases, such as the rise in national insurance due in April 2011. The 2010 Budget set out projections for government spending and revenue showing a fall in the structural deficit from 7.3% of GDP this year to 2.5% in 2014/15. The Conservatives have said that they would hold an emergency budget within 50 days of taking office, which would set out a plan to reduce the structural deficit.

The challenge for the incoming Government is to balance the need to protect the recovery with measures to reduce the deficit.

Sustainable public spending

Dominic Webb

Spending cuts will not be evenly shared across the public sector

With the budget deficit at a historically high level, the outlook for public spending will be extremely tight for several years. One of the early tasks for the new government will be a spending review, detailing public expenditure plans for the next few years and, in particular, where cuts in spending will occur.

The public finances are currently in an unsustainable state. Borrowing is forecast to be over 11% of GDP this year. Almost a quarter of public spending in 2010/11 will be financed through borrowing. This is a greater proportion than will be financed through any single tax: income tax is forecast to raise £146 billion in 2010/11 compared with borrowing of £163 billion.

Borrowing on this scale increases the national debt and means higher debt interest payments in the future. It may also lead to higher interest

rates across the economy as a whole, although to date the interest rate on government borrowing has remained relatively low.

The tough outlook for public spending stands in marked contrast to recent years. Since 1997, public spending has grown much faster than the economy as a whole. It is forecast to reach 48.1% of GDP this year, compared with 36.3% in 1999/00.

Total public spending is projected to be over £700 billion this year. The largest areas of spending are social protection (which includes benefit payments), health and education.

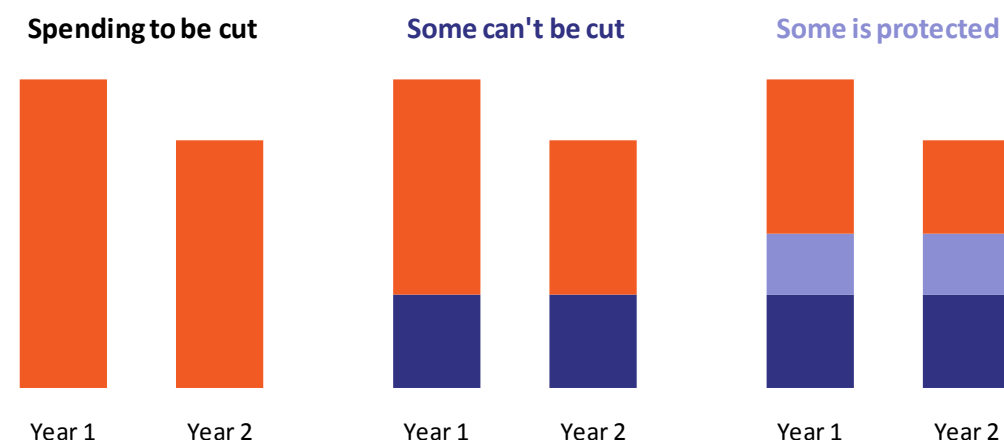
HARD TO CUT

Some types of public spending are hard to cut in the short term, such as social security payments and debt interest payments. These two categories account for nearly £240 billion – around one-third – of public spending. Spending on these ‘non-discretionary’ areas will tend to rise as a proportion of the total as other spending is cut.

MANIFESTO COMMITMENTS

Within the remaining two-thirds of spending, commitments have been made to protect certain large budgets. For example, the Conservative manifesto pledged that spending on health would increase every year in real terms. Labour committed itself to protect spending on frontline schools and the NHS. The combined budgets of the Department of Health and Department for Children, Schools and Families come to around £165 billion – nearly a quarter of total public spending.

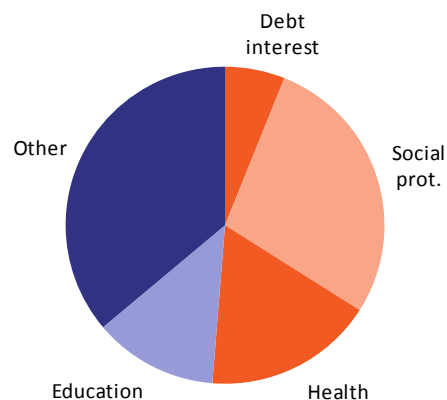
Diagrammatic representation of public spending problems



... cuts are concentrated on what is left

Debt interest, social protection and health make up more than half of Government spending

Planned total managed expenditure by function, 2010/11



WHAT'S LEFT

Commitments to protect certain budgets, combined with other areas of expenditure which are hard to reduce in the short term, mean that cuts will have to be focused on relatively limited areas of public spending. The result is that cuts in these areas will be much deeper than if reductions had been spread more evenly across all areas of public spending.

Based on plans set out in the 2010 Budget, the Institute for Fiscal Studies has estimated that ‘unprotected’ areas of spending could fall by between 20 and 25% by 2014/15. Will the spectre of such cuts result in pressure to reconsider spending on protected areas, tax increases or the speed of deficit reduction? What is certain is that the incoming Chief

Secretary to the Treasury will face a much tougher task in the next spending review than his recent predecessors.

PUBLIC SECTOR PAY

One potential source of savings is the public sector pay bill.

In 2008/09, total public sector pay was around £160 billion. A public sector pay freeze would save around £6 billion a year in wages compared with the case in which a 4% pay rise was awarded.

It is probable, however, that the saving to the Treasury would be lower once the impact on tax revenue and means-tested benefits is taken into account.

The tax system

Antony Seely

The recession has hit Government's tax receipts severely, and major structural reform would be required to raise significant extra sums

The last three years have seen a strong decline in the Government's tax revenues: from £549bn in 2007/08 to £508bn in 2009/10. This has been a striking reversal of fortune for the public finances. In the 2007 Budget, the Government had projected that tax receipts would rise over the following three years – to reach an estimated £616bn by 2009/10. All told, the Government has received £164bn less than it had expected to get from taxpayers over this period.

The role of the financial crisis in this trend, through its impact on corporate profits, the property market and the availability of consumer credit, can be seen in the decline in receipts from three particular taxes (from 2007/08 to 2009/10):

- Corporation tax receipts have fallen from £46.9bn to £36.0bn
- Stamp duties receipts have fallen from £14.1bn to £7.7bn
- VAT receipts have fallen from £80.6bn to £70.0bn.

Although the total size of the tax take has shrunk, the overall balance between different taxes remains broadly unchanged. Income tax, national insurance contributions (NICs), VAT and corporation tax, remain way and above the largest slices in the UK's tax pie. Combined, these taxes account for two-thirds of expected revenue of £541 billion in 2010/11.

WHICH TAXES COULD BE RAISED?

Clearly this has implications for any decision to raise taxes to help restore the health of the

public finances. Increases in the rates of these four taxes can raise quite a lot of money:

ESTIMATED DIRECT EFFECTS OF ILLUSTRATIVE TAX INCREASES IN 2011/12:

Income tax:

- 1p on basic rate: £4.75bn
- 1p on higher rate: £0.78bn

National Insurance:

- 1% pt on main employees rate: £3.6bn
- 1% pt on employers rate: £4.3bn

VAT:

- 1% pt on standard rate: £4.75bn

Corporation tax:

- 1% pt on main rate: £0.75bn

HM Revenue & Customs

By way of comparison, increasing the rates of duty on alcohol, tobacco and road fuel by one percentage point would raise only £0.36bn in total.

MEASURES ALREADY ANNOUNCED

The Labour Government had announced a number of measures to raise tax revenues from 2010-11:

- From April 2010 a new higher rate of income tax of 50% will be introduced on income over £150,000 [£1.47bn]
- From April 2010 the income tax personal allowance will be gradually withdrawn, for individuals with incomes above £100,000. The allowance will be reduced by £1 for

every £2 above this income limit, until completely withdrawn [£3.05bn]

- From April 2011 the rates of NICs will be increased by 1 percentage point, for employees, employers and the self-employed – though the NI threshold for employees will be increased to mitigate the impact of this change on individuals with lower earnings [£2.91bn + £3.06bn]

Taken together it is estimated that, if implemented in full, these would have raised £10.49bn by 2011-12.

STRUCTURAL CHANGES

It seems likely that there would have to be structural changes in the tax system to raise significantly more money than this in future years, a point made by the Institute of Fiscal Studies (IFS) in their 2010 Green Budget.

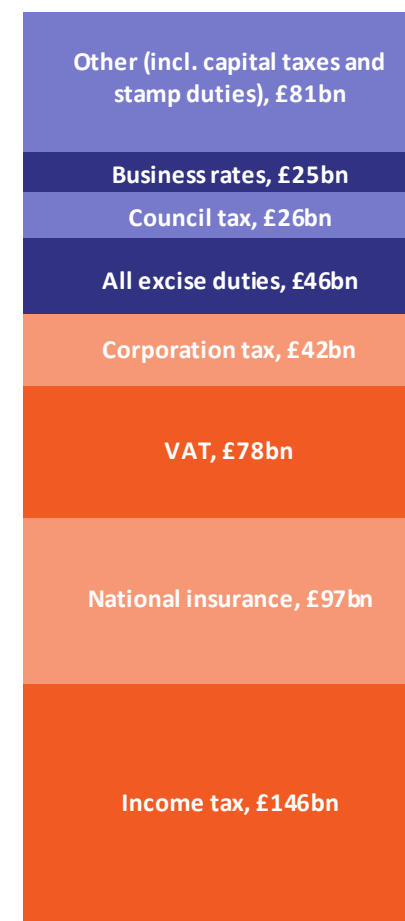
Some examples of this type of change are:

- Abolishing the zero and reduced rates of VAT which apply to selected goods and services (over £24bn)
- Applying capital gains tax to the sale of a person's principal private residence (around £3.7bn)
- Removing the lower rate of corporation tax which applies to small companies (around £3.2bn)

None of these quite radical options appeared in the election manifestos of the three major parties, but they illustrate the difficult choices before a new government tasked with restoring the health of the public finances.

Four taxes account for two-thirds of tax receipts

Tax revenue in 2010/11



HM Treasury

Recession and recovery

Grahame Allen

The UK is out of recession. Are we safe from return? And when will output recover to pre-recession levels?

Following six consecutive quarters of negative growth, the UK economy finally moved out of recession in the last quarter of 2009. The economy had moved into technical recession in the third quarter of 2008 as GDP fell for a second successive quarter.

At the height of the recession, GDP fell by 2.6% in a single quarter (Q1 2009) – the same percentage by which the economy expanded during the whole of 2007.

The recession was the 'deepest' recession (in terms of lost output) in the UK since quarterly data were first published in 1955. Actual growth in 2009 saw the sharpest fall in GDP (-5.0%) in a calendar year since official figures began in 1949 and the highest fall since 1931, excluding the recession following the Second World War. The slowdown affected all sectors of the economy, though manufacturing and construction were particularly affected.

A GLOBAL DOWNTURN

The downturn in economic activity was felt across the world, with many countries, including all G7 economies, falling into recession during 2008. So far, GDP has failed to return to pre-recession levels in all of the G7 countries.

The UK was in recession longer than the other G7 economies and was the last to exit. However, Japan (8.7%), Italy (6.9%) and Germany (6.8%) suffered greater total contractions in GDP than the UK's 6.4% and both Japan and Italy have since suffered a further quarter of negative growth. The possibility remains that some EU Member States may experience a 'double-dip', returning to recession after a short period of slow growth.

The UK recession was longer than in other G7 countries - but not as deep as some

Quarter-on-quarter growth, OECD data

	2007Q2	2007Q3	2007Q4	2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4
UK	0.6%	0.5%	0.5%	0.7%	-0.1%	-0.9%	-1.8%	-2.6%	-0.7%	-0.3%	0.4%
Canada	1.0%	0.5%	0.3%	-0.2%	0.1%	0.1%	-1.0%	-1.8%	-0.9%	0.2%	1.2%
France	0.4%	0.7%	0.3%	0.5%	-0.4%	-0.2%	-1.5%	-1.3%	0.3%	0.2%	0.6%
Germany	0.3%	0.8%	0.1%	1.6%	-0.6%	-0.3%	-2.4%	-3.5%	0.4%	0.7%	0.0%
Italy	0.2%	0.1%	-0.5%	0.4%	-0.6%	-0.9%	-2.2%	-2.7%	-0.5%	0.5%	-0.3%
Japan	0.2%	-0.1%	0.4%	0.7%	-1.1%	-1.3%	-2.7%	-3.6%	1.5%	-0.1%	0.9%
US	0.8%	0.9%	0.5%	-0.2%	0.4%	-0.7%	-1.4%	-1.7%	-0.2%	0.6%	1.4%

COULD THE UK RETURN TO RECESSION?

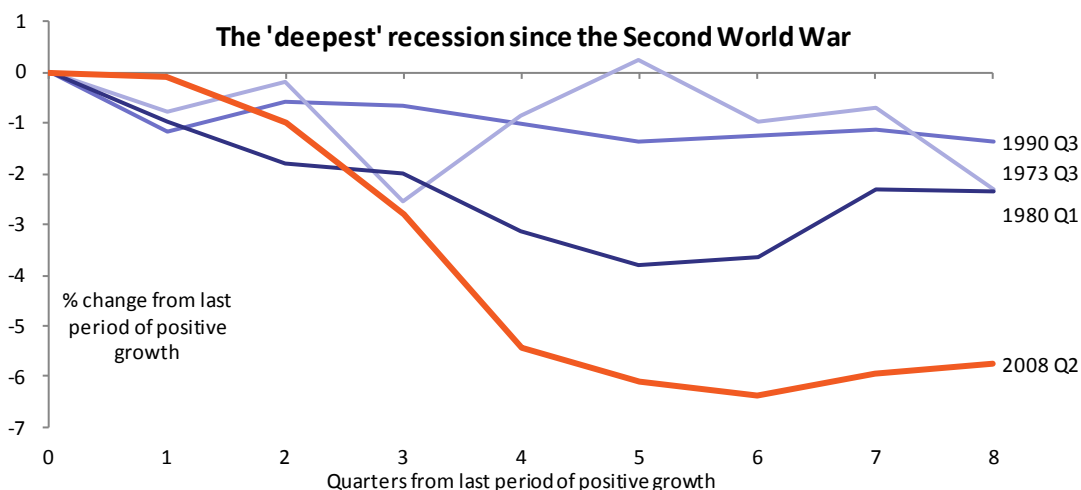
Following two successive quarters of (albeit relatively slow) economic growth, the UK economy looks less likely than it once did to suffer a 'double-dip' recession. Government borrowing, though still high, is lower than previously forecast. Although unemployment has risen to around two-and-a-half million, this is lower than some predictions of three million or more. Despite some downward shocks, the FTSE 100 has risen strongly over the past year, and the housing market has shown increasing strength

However, the recovery remains far from secure. Though unemployment seems to have stabilised, employment has continued to fall. The impacts of possible tax rises and cuts to public expenditure are not fully known. Inflation is running well above the 2% target. The Bank of England's base rate may yet have to rise as a consequence.

THE RETURN OF LOST OUTPUT

Output lost during the recession will not be recouped for some time yet. The latest Treasury forecasts are for growth of between 1% and 1½% in 2010, between 3% and 3½% in 2011 and between 3¼ and 3¾% in 2012. However, the latest *average of independent forecasts* suggests that the economy will grow by 1.3% in 2010, 2.1% in 2011 and 2.4% in 2012.

Treasury forecasts suggest GDP may return to the pre-recession level in the second quarter of 2012; the latest *average of independent forecasts* suggests the first quarter of 2013. Regardless, it will be a long time yet before the UK economy recovers to its pre-recession position.



The future of financial services

Tim Edmonds

Governments at home and abroad must decide how they want financial services to operate post-credit crunch

There can be few policy areas of comparable size with a bigger 'in-tray' than that of financial regulation and services. While the world hesitantly recovers from the global financial crisis, its legacy is a profound re-examination of the adequacy of existing legislation and institutions, together with a consideration of just what society wants and expects from its financial institutions.

CONTRADICTIONARY OBJECTIVES

This consideration will inevitably involve making a choice between potentially inconsistent or irreconcilable outcomes. For example,

Banks should be forced to raise more equity capital to make them stronger.

Banks should be subject to higher taxation and controls on profits.

BUT *new equity is hard to raise if banks' profits are permanently lower in future.*

Or,

Bank lending should be more tightly controlled by restrictions on 'leverage'.

BUT *banks should lend more to industry and individuals.*

QUESTIONS TO BE ANSWERED

The issues currently facing regulators and legislators include:

- Capital adequacy – how much and what quality of capital should banks and others be forced to hold?
- Liquidity – what level of liquid resources should banks retain? What should these

consist of and how should they be measured?

- Size - should there be controls on the size of financial institutions? If so, should it be by way of splitting the banks by function, or by quantitative controls on the levels of business they can carry out? If not, might they be forced to pay a surcharge as an insurance policy against the consequences of future failure?
- Remuneration and 'corporate governance' – what structures need to be put in place to improve internal controls?
- Other agents and influences – what should be done regarding credit ratings agencies or short-selling hedge funds? Did the accounting profession and its standards contribute in some way to the problem? How 'complex' should complex financial instruments be allowed to be?
- Lastly, the regulatory system itself – is there a role for a more formal international supervisory system? If so, what powers and sanctions should it have over national authorities? What actually is macro-prudential supervision?

How will the UK Parliament make its voice heard in international discussions of the future of banking?

These issues will be decided upon at a variety of different policy levels. While some will be purely 'domestic' - for example, the future

regulatory structure in the UK - others, such as broad principles on capital adequacy, will be agreed on by international regulators in Basle and subsequently form the core of new European Union directives for implementation in EU Member States. In the UK, implementation might be by national legislation or by rules made by the current independent regulator, the Financial Services Authority (FSA), outside of Parliamentary control or scrutiny. One challenge for the future Parliament is to be able to exercise its voice and express its opinion within this framework.

The end of the cheque could disproportionately affect the most vulnerable firms and individuals

DOMESTIC CONCERNS

For Members for whom (saving) the world is not enough, an important domestic agenda awaits that they will find hard to ignore.

- By 2012 bank cheque guarantee cards will be withdrawn. By 2016, the Payments Council will have decided whether or not cheques should cease to be a recognised method of payment. The next five years therefore will see this argument unfold in public. The issues are likely to be the impact on groups that still use cheques – the elderly, small firms, traders etc and the adequacy of any technological replacement.

- 'High cost credit', or the provision of sub-prime credit to individuals excluded from the mainstream banks, is currently being reviewed by the Office of Fair Trading. When it publishes its conclusions, anticipate a lively debate over the balance between control, regulation and credit accessibility. More generally, the terms and conditions under which credit is made available will change with the imminent transposition of the EU Consumer Credit Directive.
- Last, but by no means least, approximately 10,000 small independent financial advisers are likely to cease trading following the FSA's Retail Distribution Review. The review was the response to the long-running complaint that a commission-driven sales model has contributed to past mis-selling scandals of financial products. Arguments stressing the commission system's lack of transparency and its potential for conflict of interest between seller and customer will be set against fears that, when faced with up-front charges, individuals will be put off seeking much-needed financial advice.

From consideration of the global regulation of credit derivatives to the possible death of the cheque book, from bankers' bonuses to credit for the poor, from 'too big to fail' to too small to survive, there is much for Members to consider and decide upon in the next five years. Watch that in-tray.

Manufacturing a recovery

Adam Mellows-Facer

A weak pound offers hope for manufacturing, but it does not guarantee success

The UK manufacturing sector has suffered long-term decline. It accounts for around 12% of national output, half its share 30 years ago. This trend is reflected in all major developed economies, with the notable exception of Germany, as production has moved to low cost producers in developing countries. Manufacturing also underperformed the rest of the economy during the recent recession: early predictions of a “white collar recession” were not realised.

However, manufacturing remains important - it accounts for 2.6 million, one in ten, jobs – and the outlook for the sector is not entirely bleak. Growth in manufacturing is expected to exceed that in services in 2010, 2011 and 2012. Optimism for the sector has focussed on the potential economic dynamism and balance offered by modern manufacturing,

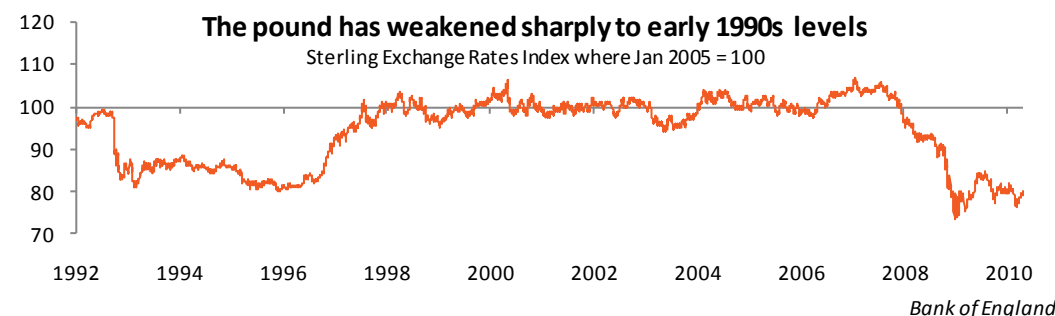
together with the export opportunities associated with the weak pound.

A MODERN MANUFACTURING SECTOR

Lord Mandelson’s tenure as Business Secretary was characterised by a renewed focus on investment in high-value-added “advanced manufacturing”. The Conservatives have adopted a similar tone, promising to provide policy leadership and infrastructure to promote high-tech industry.

Arguments for promoting advanced manufacturing are varied. These include:

- The creation of a more balanced UK economy less dependent on financial services
- Britain is already relatively successful in some areas of advanced manufacturing, such as aerospace and pharmaceuticals
- Opportunities for growth and skilled employment through leadership in expanding sectors such as low-carbon technology, where the UK can establish a comparative advantage
- The use of developing technology and techniques means that advanced manufacturing may offer greater potential for productivity growth than some other sectors, such as customer services
- The tangible and symbolic importance of manufacturing, which is often concentrated in relatively deprived areas
- Manufacturing is a key export sector: UK manufacturing exports were almost £180 billion in 2009, 46% of the total



AN EXPORT-LED RECOVERY?

Against a trade-weighted basket of currencies, the pound weakened by 27% between early 2007 and early 2009. It remains at levels not seen since the early 1990s, after the UK left the Exchange Rate Mechanism. A weaker pound makes UK exports cheaper and, all other things being equal, would be expected to increase overseas demand for UK goods. A “golden age for exporters” has been widely heralded.

In practice, the relationship between the exchange rate and manufacturing performance is complicated by a wide variety of factors. These include:

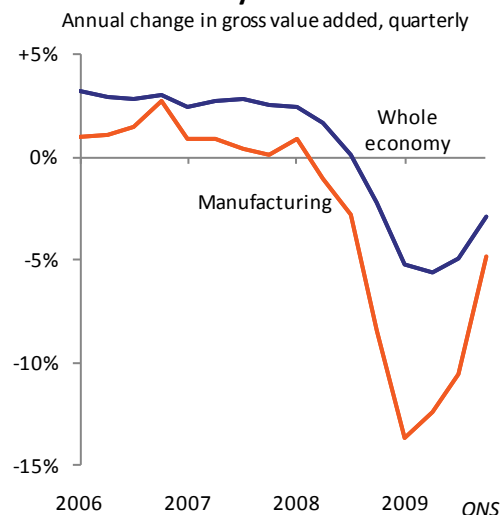
- International demand: there is little benefit in having competitively priced products unless someone wants to buy them and economic growth is sluggish in some of the UK’s biggest export markets. More than half of the UK’s goods exports are to other EU countries
- Domestic demand: economic growth has also been slow at home, though a weak pound may help UK producers regain domestic market share from imports

- Firms may choose to increase profit margins on existing volumes rather than increase output and employment

Could the Government do more to help? A recent Business Select Committee report suggested that UK Trade and Investment, the Government organisation responsible for trade promotion, could be more active in alerting companies to potential opportunities. The recession also severely constrained the availability of trade credit, making it more risky for firms to export. Exporters have urged the UK Government to follow the lead of some European competitors in providing short-term export credit guarantees.

Evidence so far of a boom in manufacturing exports is patchy at best. However, there does tend to be a lag between currency devaluation and increases in export market shares. The coming months will tell us much about the future of manufacturing in the UK and its ability to fuel wider economic recovery.

Manufacturing hit particularly hard by recession



Unemployment hotspots

Ed Potton and Rod McInnes

Unemployment has risen in all constituencies – but not equally

The recession has seen unemployment rise in every parliamentary constituency in the UK. Those with relatively high initial levels have often seen large, additional, absolute rises, while those with relatively low levels have seen them double or even treble. But the effect of rising unemployment is far from equal across the UK and, as some constituencies are starting to see unemployment levels fall, the situation is worsening in others.

Constituency-level Jobseeker's Allowance (JSA) claimant data is available every month and the Library provides analysis of this for Members in *Unemployment by Constituency*. JSA claimants are not a perfect measure of unemployment because, for example, not all those unemployed claim JSA, while some are not entitled to it. The measure differs from the standard ILO measure but it is the most timely available at a constituency level.

LARGEST RISES

Over the last two years (March 2008 to March 2010), there have been over 2,000 more claimants in 23 different constituencies. The worst hit according to this measure is Leeds Central (up 3,012 claimants, a 74% rise). Five of the 23 constituencies are in Northern Ireland, with Mid Ulster standing out (up 2,090 claimants to 2,875). In these worst-hit constituencies, JSA claimant numbers have continued to rise over the last year. It should be noted that variations in constituency populations have not been taken into account in this analysis of absolute levels.

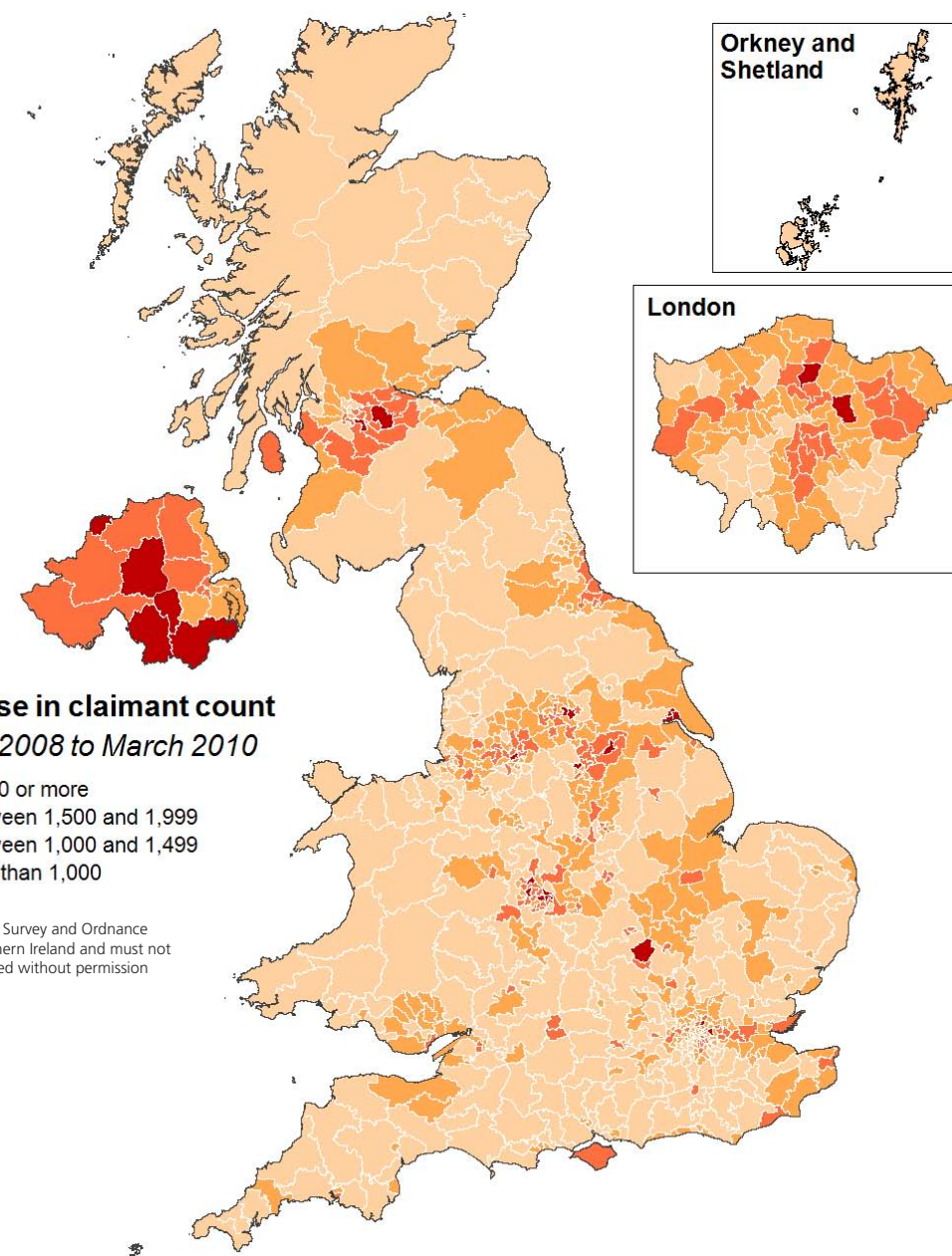
Increases in claimant count levels have often been largest in constituencies where levels were already high

Another 129 constituencies have seen a rise of between 1,500 and 2,000 claimants, while a total of 401 have seen a rise of 1,000 or greater over the last two years. Those areas most affected can be identified on the map, including parts of London, the West Midlands, a band stretching from Liverpool to Hull, Glasgow, other urban areas and Northern Ireland. Many of these areas experienced relatively high unemployment levels prior to the recession.

BETTER PERFORMING CONSTITUENCIES

There are some exceptions: Cambridge, a hub for high-technology business, has seen the number of claimants rise by just 688 over the two years (60% up, compared to 92% nationally), while 186 constituencies have seen a fall in the number of claimants over the last year. Places such as South Northamptonshire and South Swindon have seen sharp rises start to reverse.

Consideration of data at constituency level demonstrates the unequal nature of the recovery. What is apparent is that some of the UK's most deprived areas have been both among the worst hit by the recession and among the slowest to recover.



Young people in the labour market

Ed Potton

The recession has hit the young particularly hard. Will targeted policies be effective in the long run?

The effect of the recession and downturn in the UK has been particularly felt by young people in the labour market. 929,000 people aged 16-24 were unemployed in December-February 2010, equivalent to 13% of the whole age group and a rise of 220,000 compared to three years ago. Although there have been significant rises across all age groups, young people make up 38% of the 2.5 million people of working age who are unemployed.

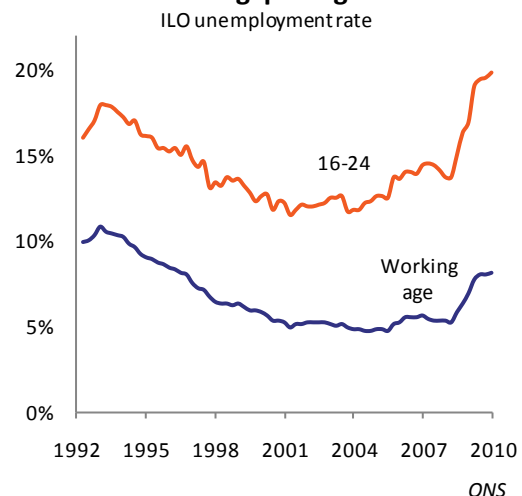
Recessions can have a stronger effect on the employment of young people than others:

- Employers may reduce or freeze recruitment. Opportunities for new entrants to the labour market may therefore be disproportionately reduced.
- It may be easier and cheaper to make less experienced employees redundant. Employers may also be more inclined to retain more experienced and trained employees in whom they have invested more. Younger employees may therefore be more likely to lose their jobs.

Firms retained more employees than many economists expected during the recession. However, this could mean that young people lose out in the long run, with firms slow to build up staffing levels during the recovery.

The youth unemployment rate now exceeds that recorded after the end of the last recession, although in terms of absolute numbers it is at about the same level. Historically, the youth unemployment rate has been higher than the working age rate,

Youth unemployment has long been above the overall rate - and this gap has grown



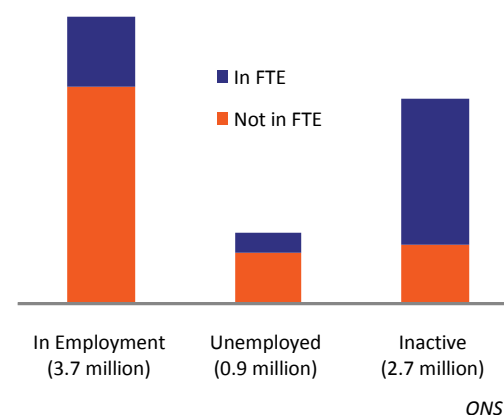
although they have followed the same broad trend. However, the gap between the two has been increasing since 2004, in particular over the last two years.

ECONOMIC INACTIVITY

Underlying this story of rising youth unemployment is a more complex picture of falling employment, rising unemployment and rising economic inactivity (to complicate matters, students are also classified as either employed, unemployed or inactive, and education participation has been rising).

Unemployment rates exclude those who choose to become inactive in the labour market: 2.7 million people aged 16-24

Only half of 16-24s are employed - but most of those who aren't are in education



are inactive, 33% of the total for all ages. Inactivity has fallen for the working age population overall over the last three years but risen for 16-24 year olds. However, 1.9 million of the 2.7 million inactive 16-24s are in full time education.

An alternative indicator of youth unemployment is the number of NEETs (Not in Employment, Education or Training). For 16-18 year-olds, NEET rates (based on Labour Force Survey data) have been relatively stable over recent years, with 9.3% of that age group NEET in Q4 2009: lower than at the same time in 2008. However, those aged 19-24 have fared worse, with just under a fifth (17.4%) of that age group being NEET at the end of 2009 (up from 16.0% in Q4 2008).

IMPACT OF YOUTH UNEMPLOYMENT

Persistent and growing youth unemployment is recognised as a problem with long-term risks. Apart from the time spent in lower wage employment or on state support, unemployment in youth can have longer term effects such as wage scarring that can persist long into adult life, as well as wider societal problems.

The last Government implemented a package of measures to address rising youth unemployment called the Young Person's Guarantee, although it was not fully introduced until January 2010 and it is therefore too early to fully judge its effectiveness. It promised 18-24 year olds who have been claiming Jobseeker's Allowance for six months a job, training or work experience. It is scheduled to run until March 2012.

The rise in youth unemployment, as well as working age unemployment, has stabilised since mid-2009, perhaps suggesting that the worst may be over. However, those that have left the labour market will return at some stage, meaning the problem may just have been postponed. The threat of a "jobless" or slow recovery only adds to the concerns about the longer term impact on young people, with youth unemployment levels likely to be closely monitored for several years to come.

Targets as a policy tool

Lorna Booth

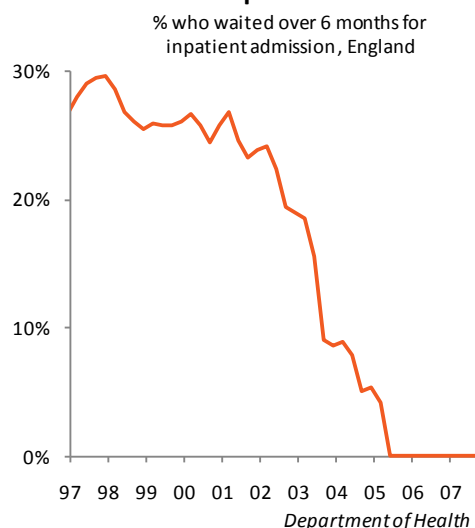
Where now for targets in public services?

Targets in the public sector (and the 'red tape' associated with them) have been attacked regularly over the last decade and remain controversial. However, targets have also been at the centre of widely celebrated achievements, notably in the NHS, and continue to be used extensively in the public and private sectors.

The main parties have all suggested that the use of targets should be limited. Labour have talked about cutting back on central targets for local areas; the Conservatives have said they will scrap hundreds of process targets; and the Liberal Democrats have said they will reduce centralised targets and bureaucracy in the NHS.

None of the larger parties is suggesting that targets be abolished altogether, and all of

Targets helped reduce long waiting times for hospital treatment



their manifestos contain targets – sometimes described as commitments or benchmarks. These cover a range of areas, from reducing youth unemployment to moving to a zero-carbon Britain.

WHY HAVE TARGETS?

A target is a clear expression of a policy priority, setting out exactly what the Government wants to have done and by when. Targets let those responsible for delivery know what needs to happen, so that they can plan, monitor and deliver the specified change. They let citizens know what the priorities are. They allow organisations to be held to account on whether they meet the targets, including by Parliament. They can provide a focus on long-term strategic goals in areas where short-term pressures would otherwise mean that these goals might not be achieved.

WHAT MAKES A GOOD TARGET?

A good target is clearly defined and is focused on policy objectives. Delivery of the target generally requires incentives or penalties, ongoing focus on the target and the commitment of the people responsible for making it happen.

WHAT GOES WRONG?

Given a set of targets and the incentive to meet them, people will generally give less attention and resources to other areas, which may do worse in comparison. There have

been reports that a focus on meeting NHS targets led to certain hospitals neglecting fundamental aspects of patient care.

Targets change people's behaviour – they take action to meet the target. However they may not choose to do this in the way the target setter intended. They may instead focus on the technical definition of the target, maximising their chance of meeting the target (or any associated financial return) with the minimum of resources and effort.

Other challenges include:

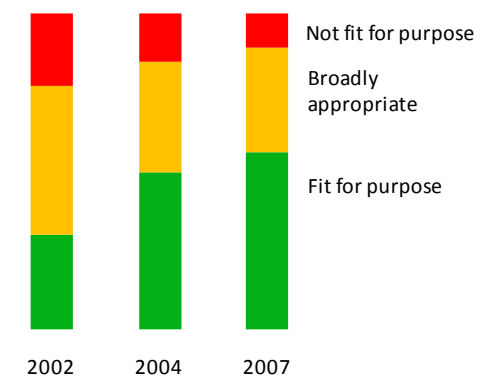
- Targets defined in terms of a preferred process rather than a desired outcome – reducing an organisation's flexibility to achieve the outcomes, using lower cost or alternative methods
- Targets that are too demanding, demoralising the people responsible for delivery, or insufficiently stretching, leading to complacency
- Ensuring the cost-effective provision of timely, local and robust statistical data to measure progress

WHERE NOW FOR TARGETS?

The need to make large efficiency savings in the public sector arguably makes effective targets more important than ever. It is essential that these targets have been well thought through, focus on outcomes, have adequate incentives, limit perverse incentives and allow effective statistical monitoring.

More targets are fit for purpose but one-in-ten is still inappropriate

National Audit Office assessment of PSA targets, by Spending Review period



TARGETS IN LEGISLATION

Recently there has been a move toward putting key targets in legislation and thus making requirements of future governments:

- The *Child Poverty Act 2010* creates a duty to meet certain income poverty targets that relate to children, by the end of the financial year 2020
- The *Fiscal Responsibility Act 2010* creates a duty to ensure that public sector net borrowing is halved by 2013/14 compared with 2009/10
- The *Climate Change Act 2008* creates a duty to ensure that the net UK carbon account for the year 2050 is at least 80% lower than the 1990 baseline

Parental choice in secondary education

Christine Gillie

Why is school choice a major area of political debate?

Parents have a right to express a preference for a particular state school, and all schools (except grammar schools) must offer a place to every child who has applied if they have enough places. But where schools are oversubscribed, the school admission authority (the local authority or the school governing body, depending on the type of school) must use oversubscription criteria to determine admissions in accordance with the recently strengthened *School Admissions Code*.

In March 2010 almost 530,000 families in England received an offer of a state secondary school place; 83% got their first preference, and almost 95% were offered a place from one of their three preferred schools. However, the proportion of pupils getting places at their preferred secondary school varies nationally. Disappointed parents may appeal.

Parents sometimes go to great lengths to get their child a place at a very popular school. Some may move home to secure a place at a favoured school where admission is based on catchment area or distance from home. There have been reports of parents obtaining places fraudulently.

MORE DIVERSITY IN SCHOOL PROVISION

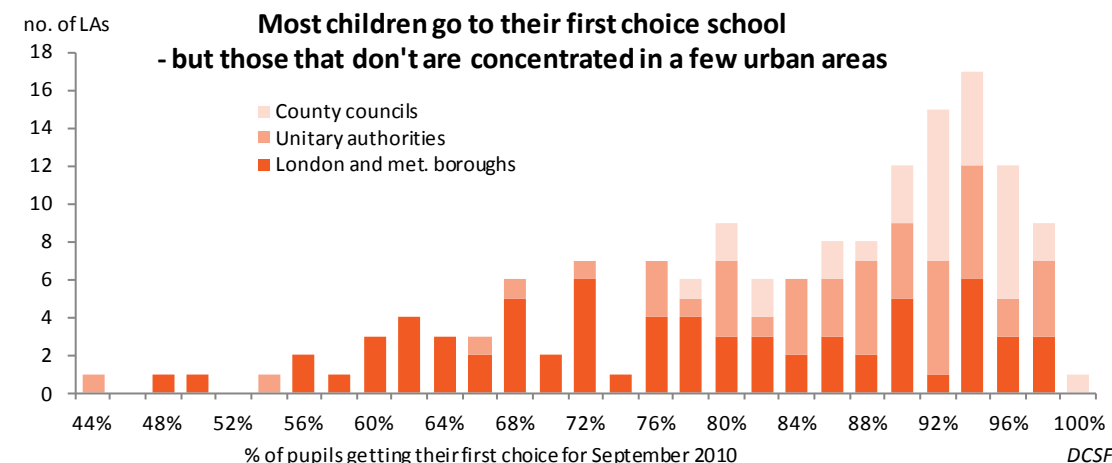
Would parents go to such lengths if more schools were attractive to them? Successive governments have aimed to promote greater diversity of school provision to improve school standards. The academies programme, a major part of Labour and Conservative policy, was developed out of the previous City

Technology Colleges (established in the 1980s) and City Academy programmes. Academies are independent publicly-funded schools, established and managed by sponsors, and mostly funded by central government. Individual academies must be run according to their funding agreement with central government. They are not allowed to make a profit; no fees are paid by parents, and the *School Admissions Code* applies.

The main parties all favour providing greater autonomy and variety – but differ on how to do it

All three major parties support greater variety and autonomy in school provision but they differ about how this should be done. The Liberal Democrats say all schools should be free to innovate, and favour replacing academies with 'sponsor managed schools', commissioned by and accountable to local authorities, with educational charities and private providers involved.

Both Labour and Conservatives support the academies programme but differ about how it should be developed, and about parental involvement. Labour favour creating another 200 academies and improving weak schools through federations and the use of not-for-profit accredited school groups to help run schools. Labour want to enable parents dissatisfied with schools in their area to trigger ballots to require local authorities to act, by securing take-overs of poor schools, expanding good schools or new provision.



Drawing on the Swedish 'free schools' model and the 'charter school' movement in the US, the Conservatives propose a 'schools revolution' by allowing parents, charities, teachers and others to set up new small academy schools. All existing schools would have the chance to acquire academy status, with 'outstanding' schools pre-approved, and the academy programme would be extended to primary schools.

As it is already possible, albeit difficult, under the existing academies programme for parents to set up schools, what additional benefit would the free/charter school model offer? Academies usually replace existing secondary schools whereas free/charter schools are usually a new addition to the supply of schools. Research published by Policy Exchange and the New Schools Network argues that the current system for academies is bureaucratic and expensive. Sweden has a relatively simple authorisation process based on demand, with state funding reflecting pupil

numbers. There are no limits on the number of schools a particular provider can run, and they are allowed to make a profit. In the US, charter school arrangements vary from state to state.

It is not clear how such models would operate in the UK. Would smaller schools be financially viable? Would the change improve school standards? The evidence relating to the educational performance of free and charter schools is mixed, and some argue that free schools increase social segregation, with pupils attending such schools coming from better-off, more educated families.

Any structural change in school provision raises questions about funding, the effect on existing schools and surplus places, and admission arrangements. The crucial question is: do any of these changes make it more likely that more parents will be offered the school of their first choice?

Paying for higher education

Sue Hubble

The report of the Browne Review of student finance could pave the way for annual university tuition fees of £5,000 or more

THE 'PERFECT STORM'

Universities are currently facing their first funding cuts since 1997. The Higher Education Funding Council for England (HEFCE) recently announced that universities' budget allocation for 2010/11 would be almost £600 million less than for the previous year. Together with a squeeze on student places, an increasingly competitive international market for higher education and reduced private income due to the current economic climate, this means that for many universities funding could be severely constrained for the next few years.

Recent reports by Policy Exchange and by the Association of Graduate Recruiters advocated higher fees, and another by the Confederation of British Industry recommended removing the interest rate subsidy on student loans. The timing of the university budget allocations, coming shortly after these reports, augurs an autumn of intense debate on university funding and student support.

INCREASING TUITION FEES

As a result of the *Higher Education Act 2004*, from September 2006 all new higher education students became liable to pay deferred variable tuition fees of up to £3,000 a year.

The *2004 Act* was highly controversial. Previously, students from low income families were eligible for fee remission and many paid no tuition fees at all. The *2004 Act* ended fee remission and more than doubled fees to

a maximum of £3,000 in 2006/07, with new loans to cover the cost of the increase. The combined effect was to abolish upfront tuition fees, so that university became 'free' at the point of entry, but charges were then 'back ended' so that graduating students potentially left university with twice the outstanding loan debts – covering both tuition fees and maintenance.

Various concessions were made during the passage of the Higher Education Bill, including a cap on fees until 2010. Another was a commitment to undertake a review of the new student support system after three years; this is currently being conducted by Lord Browne. He is due to report in autumn 2010.

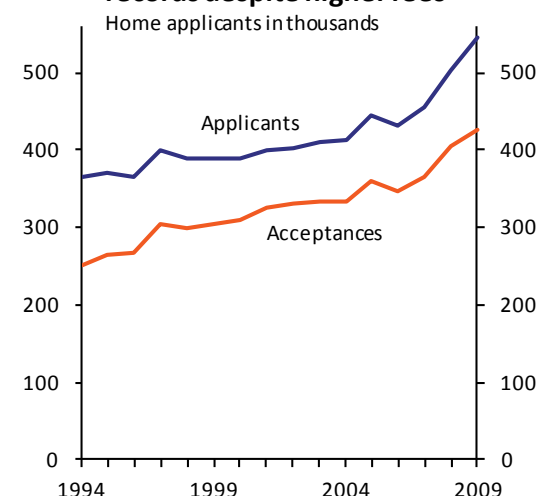
STUDENT NUMBERS STILL RISING

Many groups have been lobbying for changes to the university funding system in the run-up to the fee review. Universities UK, a representative body for the sector, has published a series of reports on the impact of variable fees in England, the most recent concluding that 'there is nothing in the available data which indicates that the introduction of variable fees has yet had any lasting impact on the level or pattern of demand for full-time undergraduate education'. It is certainly true that numbers of applicants have continued to rise.

HOW HIGH COULD FEES GO?

When the Higher Education Bill was passing through Parliament, it was envisaged that

Applicants via UCAS hit new records despite higher fees



allowing universities to charge variable fees of up to £3,000 would create a market in fees and enable students to choose a university or course on the basis of cost. This did not occur, as nearly all universities chose to charge the maximum amount. Some commentators, such as the Vice Chancellor of Imperial College London, said that £3,000 was too low to create such a market and that £5,000 would have been a more compatible figure. He caused further disquiet by raising the suggestion of fees of up to £15,000 a year for some courses.

A poll of university vice chancellors in 2009 indicated that most wanted the cap on fees lifted, with a figure of £4,000 - £7,000 suggested as an appropriate level for fees. Such increases would have a significant impact on public spending if subsidised loans for

fees were to continue. Some bodies have therefore advocated changing the student loan system. Any moves in this direction could have a considerable impact on access to higher education and could disproportionately affect middle income students who miss out on grants and rely on loans for fees and living costs.

Could raising the cap on fees put a university education out of reach of middle income students?

Neither Labour nor Conservatives have taken a position on tuition fees ahead of the Browne review, whilst the Liberal Democrats have pledged to abolish fees. The new Government will have to tackle the competing interests of universities and students when resolving the complex issue of how to maintain adequate higher education funding while ensuring fair access for all students.

The ageing population

Richard Cracknell

The UK's ageing population has considerable consequences for public services

10 million people in the UK are over 65 years old. The latest projections are for 5½ million more elderly people in 20 years time and the number will have nearly doubled to around 19 million by 2050.

Within this total, the number of very old people grows even faster. There are currently three million people aged more than 80 years and this is projected to almost double by 2030 and reach eight million by 2050. While one-in-six of the UK population is currently aged 65 and over, by 2050 one in-four will be.

The pensioner population is expected to rise despite the increase in the women's state pension age to 65 between 2010 and 2020 and the increase for both men and women from 65 to 68 between 2024 and 2046. In 2008 there were 3.2 people of working age for every person of pensionable age. This ratio is projected to fall to 2.8 by 2033.

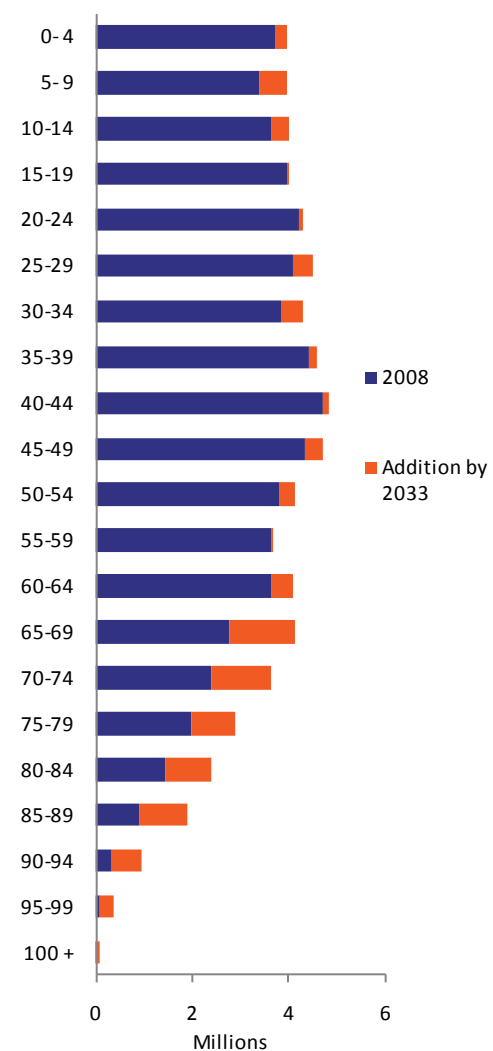
PUBLIC SPENDING AND OLDER PEOPLE

Much of today's public spending on benefits is focussed on elderly people. 65% of Department for Work and Pensions benefit expenditure goes to those over working age, equivalent to £100 billion in 2010/11 or one-seventh of public expenditure. Continuing to provide state benefits and pensions at today's average would mean additional spending of £10 billion a year for every additional one million people over working age.

Growing numbers of elderly people also have an impact on the NHS, where average spending for retired households is nearly double that for non-retired households: in

The projected increase in the UK population 2008-2033 is concentrated in older groups

By five-year age bands



Government Actuary's Department

2007/08 the average value of NHS services for retired households was £5,200 compared with £2,800 for non-retired. These averages conceal variation across older age groups, with the cost of service provision for the most elderly likely to be much greater than for younger retired people. The Department of Health estimates that the average cost of providing hospital and community health services for a person aged 85 years or more is around three times greater than for a person aged 65 to 74 years.

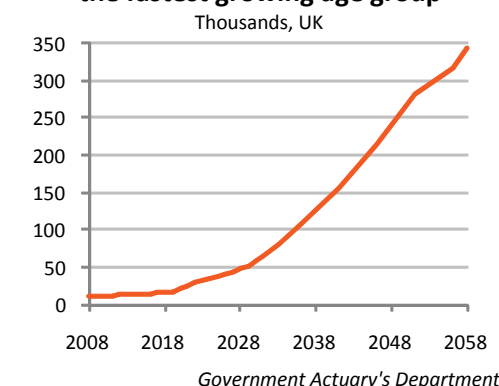
State benefits and the NHS accounted for just under half of government expenditure in 2009/10. With much of this spending directed at elderly people, their growing number will present challenges for providers of these particular services as well as for the public finances as a whole.

ORIGINS OF THE AGEING POPULATION

The ageing population of the UK mirrors that in many other European countries. It is partly a consequence of the age structure of the population alive today, in particular the ageing of the large number of people born during the 1960s baby boom.

It also stems from increased longevity – a man born in the UK in 1981 had a cohort life expectancy at birth of 84 years. For a boy born today, the figure is 89 years, and by 2030 it is projected to be 91. The trend for women is similar. A girl born in 1981 was expected to live for 89 years and one born today might expect to live to 92. Cohort projections suggest a girl born in 2030 might live to 95. *Healthy* life expectancy has

Telegram overload - centenarians will continue to be the fastest growing age group



Government Actuary's Department

not, however, increased as fast, resulting in proportionally greater demands on public services such as the NHS.

UNCERTAINTY IN PROJECTIONS

There is a range of uncertainty about projecting population, as it rests on assumptions about future demographic behaviour. The recent rise in UK fertility could be maintained, perhaps because of the influence of high levels of net migration; life expectancy might stagnate because of increasing obesity levels; net migration may fall back to levels more typical of the UK's history if economic conditions change or more restrictive policies are introduced. Population projections have a mixed record. They do, however, provide a common basis of framework for planning the future across the range of public policy areas.

Value for money in the NHS

Tom Powell and Gavin Thompson

Can the NHS cut costs and meet rising expectations?

Although all the major political parties pledged to protect the NHS from spending cuts, after a period of unprecedented growth there is the prospect of a three-year real-terms funding freeze, or close to it. This would be the most austere period for the NHS in over thirty years. Even with funding held constant, rising demands from an ageing population, together with higher public expectations driven by clinical developments, mean there is likely to be a substantial “funding gap” to be met by improvements in productivity and efficiency. The NHS Chief Executive estimates that savings of around £15-£20 billion will be required by 2013-14 simply to maintain the quality of care on offer.

The parties have pledged to protect funding but demand will continue rising

Productivity is rather a crude measure of value for money in the NHS, calculated by comparing inputs and outputs. There are questions about what is and is not measured, and about how to place a value on the outputs of healthcare. When the Office for National Statistics (ONS) reported that productivity in the NHS had fallen by 3.3% between 1995 and 2008 many argued that this did not reflect improvements in quality of care, waiting times and patient experience. Despite these limitations, the ONS figures highlight the scale of the challenge the NHS faces in trying to increase productivity.

EFFICIENCY SAVINGS

The main political parties and think tanks have highlighted a number of opportunities to cut costs in the NHS while protecting frontline services. These include cutting “back office” management, limiting staff pay and pensions, selling assets, rationalising procurement and drugs purchasing, and re-aligning the NHS IT programme. There are also a number of wider policy debates about value for money in the NHS.

COMPETITION OR COLLABORATION

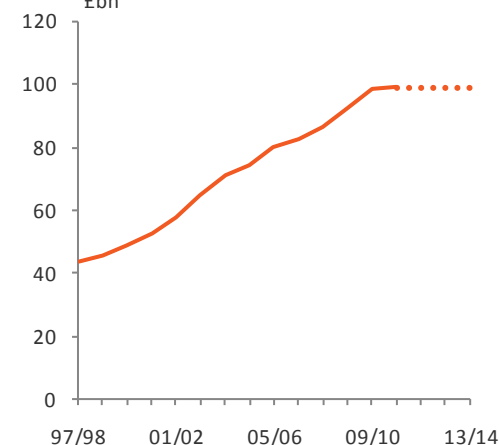
The purchaser-provider split in the NHS in England is intended to enable competition between providers, decreasing costs and increasing quality and innovation. Studies exist citing both improved and harmful outcomes of competition. Some commentators have argued that increased patient choice and competition from independent, voluntary and community sector providers will improve efficiency and clinical quality. Others have countered that competition creates wasteful overcapacity and prevents co-operation.

PREVENTION AND PRIMARY CARE

There have been repeated calls for a shift in care from hospitals to the community, with more services delivered in GPs’ surgeries and patients’ homes, particularly in the treatment of long-term conditions. Arguments for early intervention and care “closer to home” often highlight the savings from avoiding hospital admissions, as well as the benefits for patient care. Similarly, although prevention of illness

A freeze in NHS spending would follow unprecedented growth since 1997

NHS net expenditure, England, real terms, £bn



is seen as desirable for its own sake, the cost implications of obesity, smoking and alcohol and drug abuse have pushed public health up the political agenda.

If the NHS provides more care in community settings and reduces the use of hospital services, then there will need to be substantial reconfiguration of services, yet proposals to close or downgrade local hospitals are often deeply unpopular. And while prevention may be a cost-effective way to extend years of healthy life, this does not necessarily mean it is ultimately cost-saving.

IMPROVING CLINICAL EFFICIENCY

As NHS funding tightens, another option is to try to target resources on clinical interventions that optimise health outcomes

and to identify procedures that can be made more efficient. The King’s Fund has suggested money could be saved by reducing the length of stay in hospitals and using lower cost drugs.

There are already a number of programmes in the NHS aimed at improving quality and productivity, such as “productive ward” procedures to help nurses spend more time on patient care. It has been suggested that the National Institute for Health and Clinical Excellence (NICE) focus more effort on stopping ineffective practices. However, the experience of NICE has shown that making judgements on the cost-effectiveness of interventions can be highly controversial.

DECENTRALISATION OR CENTRAL CO-ORDINATION

There is a tension between national co-ordination and local decision making in the debate about value for money in the NHS. Should the NHS attempt to enforce top-down best practice? Or will innovation and efficiency only come from local decision making and accountability, with an acceptance of locally varied, diverse provision? Is it possible to reconcile these tensions? Arguably the NHS currently employs a mix and match approach, using competition and promoting cooperation, combining central co-ordination and local decision making.

Given the financial challenges facing the NHS it will be vital to find the right balance in all these issues to achieve value for money.

Funding social care

Manjit Gheera

As the population ages, can we find a fairer system of paying for care so older people do not have to sell their homes?

In 1997 Tony Blair told the Labour Party conference “I don’t want [our children] brought up in a country where the only way pensioners can get long-term care is by selling their home.” Local authorities have been able to require people to sell their homes to pay for residential care since 1948. Thirteen years after Tony Blair’s speech, local authorities continue to do so.

The impact of demographic change (including an ageing population, expanding numbers of very old people and changes in the willingness of family members to provide informal care for elderly relatives) has placed a strain on social care services and increased demand for residential care. This demand is expected to continue to grow: the number of people in care homes is projected to rise from 345,000 in 2005 to 825,000 in 2041. Public expenditure on long-term care is projected to rise by more than 300% in real terms over that period.

PROBLEMS WITH THE CURRENT SYSTEM

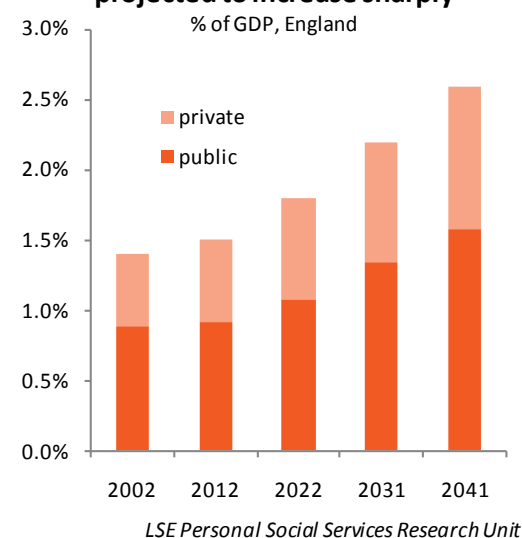
Help with residential care costs is currently means-tested. Individuals with assets of over £23,250, including the value of their property, have to fund their own care. Social care recipients with less than £14,250 have all their care home costs paid for by social services. Individuals falling between the two thresholds will have a proportion of the care costs paid for by the state. **The system is seen as inherently unfair, penalising those who have saved for their old age, whilst those who have been less prudent are eligible for state-funded care.**

The number of people who have to sell their homes to pay for care is unknown, although it is estimated that 155,000 people, or 41% of care home residents, are self-funders, up from 35% in 2006. With care home fees averaging £25,000 a year, those with modest amounts of capital will be making a disproportionate contribution to their care. And continued state-funding for increasing numbers of individuals who cannot afford to pay the high cost of care is financially unsustainable.

THE POLITICS OF SOCIAL CARE

Given the need to reform the current system to cope with demographic changes and the emotive issue of older people having to sell their homes to pay for care, it is no surprise that social care has become a key political issue. The three main political parties, social care experts and organisations representing the elderly have failed to reach a consensus on how to fund a more equitable system. Labour’s proposal to introduce a compulsory £20,000 levy on people’s estates was dubbed a ‘death tax’ by the Conservatives. The subsequent White Paper proposed a complete overhaul of the social care system by introducing a National Care Service built on NHS principles by 2015, coupled with free accommodation costs after two years in a care home. With the average care home stay at 18 months to two years, many would not benefit from the policy. Those whose stay extended beyond two years would have paid an average of £50,000 in fees before they qualified and therefore could still have to sell their homes.

Long-term care expenditure projected to increase sharply



The Conservatives proposed a voluntary one-off payment of £8,000 from every pensioner on retirement in return for free residential care. This was criticised by care groups as insufficient. The Liberal Democrats called for a cross-party commission to consider ways to fund care. An attempt at cross-party talks earlier this year went ahead without the Conservatives, who do not support a compulsory levy.

The Personal Care at Home Act 2010, which received Royal Assent before Parliament dissolved, may go some way to averting the need for some elderly social care recipients to enter residential care by increasing the numbers who receive personal care in their

SOCIAL CARE DEFINITIONS

- **Care home:** any establishment providing accommodation with personal or nursing care.
- Care homes registered to provide **nursing care** are sometimes referred to as ‘care homes that provide nursing care’ or ‘nursing homes’ to differentiate them from other homes. Nursing care in care homes is provided by NHS registered nurses.
- The provision of **personal care** services varies between local authority areas but usually covers help with personal hygiene, continence management, assistance with eating, personal assistance and simple treatment.

own homes. But with only 130,000 people expected to benefit from this policy, should it be rolled out, and a lack of consensus on how to pay for those who still need residential care, many older people will have to keep waiting for the future envisaged by Tony Blair 13 years ago.

Maintaining consensus on pension reform?

Djuna Thurley

Fiscal and economic pressures contribute to a challenging environment for pension reform

UK pension policy has been bedevilled by a lack of continuity over an extended period. Major reforms legislated for in the last Parliament did secure a significant level of consensus. However, the economic downturn which followed led to questions about how and when parts of the package can be implemented. Such details matter because the reforms were designed as a coherent and integrated whole.

PENSIONS COMMISSION RECOMMENDATIONS

The reforms arose from the work of the Pensions Commission (2002 - 2006) which found that, faced with an increasing proportion of the population aged over 65 and pensioners living longer in retirement, individuals and society had four options:

1. Pensioners would become poorer relative to the rest of society
2. Public spending on pensions would need to rise
3. People would need to save more
4. People would have to work longer

The Commission recommended a package of reforms to the state and private pension systems. Many of these were adopted by the Labour Government, with some modifications. These included:

- Reforms to the state pension system to make it less means-tested and more universal than if existing arrangements continued; in particular, the link between increases in the basic State Pension and

average earnings would be restored, probably in 2012. To help pay for this, the state pension age would rise from 65 to 66 over two years from 2024; to 67 over two years from 2034; and to 68 over two years from 2044. The pension age for women was already due to rise from 60 to 65 between April 2010 and 2020.

- Reforms to the private pension system would provide access to workplace pension saving for those low to moderate earners currently not saving enough for their retirement. Employers would have new duties to automatically enrol employees into a pension scheme and, unless the employee opted out, make minimum contributions of three per cent of earnings.

Low to moderate earners have not been saving enough for retirement

- To enable this pension saving, a new national low-cost, workplace pension saving scheme (now called the National Employment and Savings Trust (NEST)) would be established. The Commission argued this was needed because existing provision did not meet the needs of lower earners, in particular because of the high charges associated with it.

IMPLEMENTING REFORM

The principle of the reforms attracted broad support. However, most of the measures remain to be implemented and fiscal and

economic pressures in recent times have led to questions about when and how this should happen.

For instance, with a view to protecting small employers in difficult economic circumstances, the Labour Government reviewed the timetable for rolling out the new duties to be placed on employers. Although they would still start in 2012, they would be phased in more slowly than originally intended, with the aim of full implementation by 2017. The Conservatives expressed concern that such a slow start could leave individuals with a gap in contributions they might never make up. In addition, they were concerned that the introduction of NEST might cause employers to 'level down' existing occupational pension provision by, for example, reducing the amount they contribute. They therefore said they would review the "NEST" project.

All three major parties agreed the earnings link should be restored in this Parliament, but differed about the exact date from which this could be afforded.

CHALLENGES FOR THE FUTURE

These reforms were designed as a coherent and integrated whole, with the different parts dependent on each other for their success. For example, automatic enrolment is a way of strongly encouraging pension saving. Much of the support for this policy was contingent on the fact that people would be better off as a result than on means-tested benefits. The minimum employer contribution, the state pension increases and low charges for pension saving were all designed to ensure it would

'pay to save' for those on lower incomes. There is a risk that delaying the introduction of any of these measures could reduce the returns from saving for some of the target group. If a perception grew that people might not gain from saving, this could reduce participation levels. Confidence could also be undermined if people felt pension policy was subject to continual reform.

The new Government has announced that the earnings link will be restored from 2011, with a "triple guarantee": pensions will rise by the higher of earnings, prices or 2.5%. This helps keep the reforms on track. However, to pay for it, a review is to look at bringing forward the increase in the state pension age to 66, though not sooner than 2016 for men and 2020 for women.

In addition to this, there are ongoing concerns about declining pension provision in the private sector more broadly, particularly when compared to the public sector. Those employers who do provide pensions are tending to close final salary schemes, replacing them with less generous money purchase schemes (with benefits based on contributions made, investment performance and annuity rates). In contrast, most public sector employees are covered by schemes which provide more certainty for the future (with benefits based on final salary and length of service). A new independent commission is to review the long term affordability of public sector pensions, while protecting accrued rights. Reaching consensus on this, and on ways to support and encourage adequate pension provision in the private sector, will be major challenges for the future.

Future of the BBC

Grahame Danby

Is it time to start re-thinking the funding of the BBC?

To inform, educate and entertain: this has been the BBC's credo from the time of its first Director General, John Reith. It might also provide the beginnings of a definition of public service broadcasting; additional features of which include universal access and specific obligations imposed on the public service broadcasters, including the BBC, Channel 4, ITV1 and Five.

The *Digital Economy Act 2010* positions Channel 4 as an important rival to the BBC at a time when a long-term decline in advertising revenues is affecting all commercial broadcasters. And public service broadcasting is expensive. Thanks to the television licence, the BBC is comparatively wealthy and well placed to deliver diverse

high quality content: from children's programming to regional news to innovative comedy.

WHAT IS THE BBC FOR?

But is the television licence a sustainable way of funding the BBC long term? When fewer people watch the BBC's output, and more choose to watch the hundreds of available digital channels, can the continued imposition of a regressive tax to fund *Strictly Come Dancing* be justified? And how should the level of the licence be set – enough to maintain and develop the BBC's current activities or, to take a contrary view, barely enough to fund a public service stub? A broadcaster of worthy content the market would not otherwise provide?

Commonly, the television licence has been viewed as the 'least worst' means of providing the BBC with adequate funding. It establishes a direct link between the BBC and the licence fee payers it serves. General taxation could be one alternative approach; the BBC World Service is funded in this way and its independence does not appear to be obviously compromised – a consequence that detractors of this funding option say could follow.

Some say that the BBC could take advertisements and that these would not necessarily lead to the introduction of commercial breaks, the absence of which is a BBC attraction. However, this would put the corporation in direct competition with already hard pressed commercial broadcasters for a

limited pot of funding. Direct subscription has attractions and would be more feasible when the television world is totally digital. One problem with this is that the 'free at the point of delivery' feature of public service broadcasting would go.

THE BBC IN A DIGITAL AGE

Up to a point these matters are fixed until 2016, when the BBC's current Royal Charter expires. By then, complete digital television switchover should have been in place for four years. People will be choosing between a wider variety of alternative channels and consuming television content in different ways, including video on demand.

Until then, Parliament's only certain and regular opportunity to influence BBC funding is the annual regulations needed to implement the (six year) licence fee settlement announced by the Secretary of State at the beginning of the present Charter period. Normally these go through without debate, though in 2009 the Opposition unsuccessfully attempted to annul the regulations, the effect of which would have been to freeze the licence fee. The House of Commons Culture, Media and Sport Committee normally takes oral evidence from the BBC at the time of the latter's annual report. This does not necessarily have to lead to a report with recommendations to Government.

The level of BBC funding – £4 billion a year – inevitably exposes it to ongoing scrutiny by Parliament. While the National Audit

BBC FUNDING: THE OPTIONS

Television licence

– a direct link between the BBC and the viewers

General taxation

– dependence on Government

Advertising

– competition for a limited pot

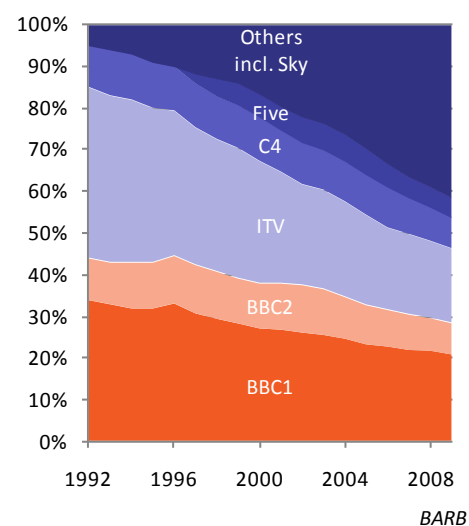
Subscription

– loss of universality

Office has more access and freedom to scrutinise BBC expenditure than in the past, the Public Accounts Committee continues to call for this to be enhanced and made more independent of the BBC Trust, the corporation's regulatory authority. One way of achieving this would be by amendment to the framework Agreement between the BBC and the Secretary of State. The Agreement accompanies the Royal Charter and contains detailed rules covering every aspect of the BBC's operation.

The completion of digital switchover in 2012 will be a good time to start thinking once again about the funding of the BBC. If the consultation period that preceded the current Royal Charter is anything to go by, three years would need to be set aside. Expect Select Committee inquiries in both Houses of Parliament. Funding, and the accountability and governance issues that go with it, will be a key focus of the debate.

The BBC's share of viewing figures has been falling



Royal Mail

Grahame Allen

A lack of investment in Royal Mail could mean the end of the 'one-price-goes-anywhere' mail service. Is privatisation the answer?

Few are aware of the universal postal service under its formal title but it has two well known and cherished elements:

- A national network of Post Offices
- A 'one-price-goes-anywhere' mail service

The Royal Mail has always been the only postal operator considered capable of providing a universal postal service in the UK. The Post Office is a well-trusted institution, based at the heart of many communities, which customers depend on for their communication, banking and business service needs. The Royal Mail's one-price-goes-anywhere service, and the postman that delivers it has, until recent cuts, been part of the traditional 'breakfast table' routine for many families across the UK.

ROYAL MAIL

- Royal Mail Holdings plc is a major UK business with an annual turnover of almost ten billion pounds. It employs around 176,000 people.
- It has a nationwide delivery system and network of outlets that is unparalleled in the UK. It handles over 75 million items every day, delivering to 28 million addresses, six days a week.
- With the Government as the only shareholder, the plc is the ultimate parent company of The Royal Mail Group and includes amongst its prize assets Parcelforce Worldwide and the post office network.

Postal services are a prime example of how threats to local services can often engage constituents in the parliamentary process more than national issues can. During the last parliament, MPs' mailbags were flooded with requests for advice and assistance from constituents protesting about the closure of their local Post Office during the beautifully constructed, but much maligned, Network Change Programme. Nationwide, the programme reduced the post office network by just over two thousand branches but it was the closure of their local Post Office that was of primary concern to constituents.

A COMPETITIVE BUSINESS 'FIT FOR PURPOSE' IN THE 21ST CENTURY

Capital investment in Royal Mail's infrastructure by its only shareholder, the Government, has long been neglected. Rather than injecting the capital Royal Mail needs to modernise, successive governments have attempted to fund modernisation through finding efficiency savings within Royal Mail. Such efficiency savings have proved to be inadequate and modernisation, where it has occurred, has been slow. Royal Mail estimates it is still at least forty percent less efficient than its main competitors and sorts just seventy percent of letters by machine compared to the ninety-five percent achieved by others.

Some suggest the Royal Mail is uncompetitive because the UK liberalised its mail market ahead of the rest of the EU. This allowed state and former state mail monopolies to enter the UK market and 'cherry pick' Royal

Mail's customer base, while the Royal Mail has been excluded from EU markets. The counter argument is that these companies have received investment from their government or from the private sector and modernised, giving them a competitive advantage over the Royal Mail.

The Labour Government commissioned an independent review of the UK postal services sector in December 2007, chaired by Richard Hooper CBE. The review published its final report to Ministers in December 2008. Concerned about the ability of the Royal Mail to compete, the Hooper Review also identified the lack of on-going investment as one of the major constraints holding Royal Mail back. The review suggested that if investment is not made available for Royal Mail to modernise, it will be unlikely to be able to continue to provide the current universal service.

THE POLITICS OF PART-PRIVATISATION

The Hooper Review recommended a "single package of measures" including a "strategic partnership" with a private-sector company – effectively part-privatisation of the Royal Mail. This would inject capital into the business, improving the pace of modernisation and increasing Royal Mail's ability to compete more effectively in an ever-changing market.

The Labour Government agreed with the recommendations of the Review but the subsequent Bill was dropped in 2009 as an acceptable buyer failed to materialise. The Government blamed the poor economic

climate but it was also noticeable that part-privatisation had proved very unpopular on the backbenches. A total of 179 MPs, 147 of whom were Labour, signed an Early Day Motion criticising the plans.

The continuing need for investment in Royal Mail to enable it to modernise and become competitive means that the issue of privatisation is likely to return to the political agenda in the new parliament. With public-sector borrowing already at record levels it is very unlikely that government will borrow more to invest in Royal Mail. An injection of private-sector cash in return for part of Royal Mail looks an ever more likely option, despite the unpopularity of such a policy. This would not be the first time Royal Mail has been controversially part-privatised. In the 1980s, the telecommunications services arm of Royal Mail was transferred to a new corporation, British Telecom. This in turn became one of a raft of high-profile privatisations made by Margaret Thatcher's Government.

Opponents of privatisation argue it would be a step towards endangering the universal postal service. However, supporters maintain that without private sector investment, it is doomed anyway. What is certain is that postal services' status as a regular feature in MPs' mailbags is not set to end soon.

Quangos

Oonagh Gay

There is tension between reducing the influence of unaccountable 'quangos' and de-politicising controversial decisions

Since it was coined in the 1970s, 'quango' has become a highly emotive term. For many it is a byword for wasteful bureaucracy, patronage and lack of democratic accountability. It is no surprise that politicians from all sides have regularly called for reductions in their number, expenditure and influence. However, achieving this in practice has proved difficult.

HOW MANY QUANGOS ARE THERE?

Quango is not an official term and establishing how many there are depends on the definition used. The Cabinet Office 2009 report on Non-Departmental Public Bodies (NDPBs) found:

- There are 766 NDPBs sponsored by the UK Government
- The number has been falling: there were 790 in 2008 and 827 in 2007. The number of NDPBs has fallen by over 10% since 1997
- Staffing and expenditure of NDPBs have increased. They employed 111,000 people in 2009 and spent £46.5 billion, of which £38.4 billion was directly funded by the Government.

However, estimates vary based on the definition used. The Government used a different definition of Arm's Length Bodies (ALBs), incorporating Executive Agencies, non-Ministerial Departments and executive and advisory NDPBs, in the December 2009 *Smarter Government* White Paper. It found that 752 ALBs employ over 300,000 people and have annual Government funding of £80 billion.

The Taxpayers' Alliance lists 957 'semi-autonomous public bodies' under the remit of the UK Government which it estimates employ 700,000 staff, receive Government funding of £82 billion and spend over £120 billion.

THE CASE AGAINST QUANGOS

The fiscal crisis has focused attention on expenditure by quangos and all the major parties have pledged to reduce numbers to combat waste. Of further concern is the lack of democratic accountability in public organisations that do not report to Parliament and are not headed by a Minister. There is clear political value in outsourcing a contentious decision or policy to an impartial body, but this diminishes political or public influence over large areas of public policy. Political imperative has arguably led to the creation of new and overlapping quangos to meet short-term political needs. Perhaps worse still is the suggestion that the growth of quangos reflects a loss of confidence by politicians in their ability to make decisions.

The Conservatives state they intend to abolish quangos "that do not perform a technical function or a function that requires political impartiality, or act independently to establish facts". The other parties have pledged similar extensive streamlining of the sector.

DIFFICULTIES IN PRACTICE

However, these promises sit alongside proposals for new quangos. Several commentators asserted that the Conservative

WHAT IS A QUANGO?

Quango (Quasi Autonomous Non-Governmental Organisation) is not an official term. The Cabinet Office lists **Non-Departmental Public Bodies** (NDPB) in its annual *Public Bodies* publication.

NDPB – "a body which has a role in the processes of national Government, but is not a Government Department or part of one, and which accordingly operates to a greater or lesser extent at arm's length from Ministers". There are four types:

- **Executive NDPBs** – typically established in statute and carrying out executive, administrative, regulatory and/or commercial functions, e.g. Environment Agency
- **Advisory NDPBs** – provide independent, expert advice to Ministers on a wide range of issues, e.g. Low Pay Commission
- **Tribunal NDPBs** – have jurisdiction in a specialised field of law, e.g. Valuation Tribunals
- **Independent Monitoring Boards** – of prisons and immigration centres

The term 'quango' is, however, sometimes used to cover a much wider range of institutions:

Executive Agencies, or **next-step** agencies, are parts of Government Departments but have distinct executive functions and are considered separate in managerial and budgetary terms, e.g. Jobcentre Plus and HM Prisons Service.

Non-Ministerial Departments answer directly to Parliament on issues where it has been deemed appropriate to remove executive political interference, e.g. Ofgem and the UK Statistics Authority.

NHS bodies such as NHS Trusts and Strategic Health Authorities are not listed as NDPBs.

Local bodies - The information in *Public Bodies* lists central government NDPBs. These have equivalents at local level – the Public Administration Committee identified several thousand in 2001.

Others argue the definition should stretch yet further – for example, the **BBC** and **Bank of England** are publically owned and funded bodies established under Royal Charter with considerable independence and limited political accountability. They are not listed under any of the categories above.

plans for a 'bonfire of the quangos' included plans to create 17 new ones, such as the Office of Tax Simplification and the Office of Budget Responsibility. Despite politicians of all persuasions pledging to reduce the numbers of quangos, their growth has been long-term and international.

Why is this so? Quangos can provide specialist expertise and have a longer-term focus than is afforded in a highly politicised

environment. They can also benefit from the heightened authority resulting from their relative freedom from political considerations.

The fiscal deficit has put yet more focus on expenditure by quangos. But given the deficit in public trust in politicians, will the trend towards outsourcing controversial decisions be checked in practice?

Devolution evolution

Helen Holden and Oonagh Gay

There are moves to advance devolution in Scotland, Wales and Northern Ireland

The process of devolution has always been dynamic and asymmetrical, with individual settlements for Scotland, Wales and Northern Ireland. These continue to evolve separately and centrifugally towards more devolved powers. The continuation of this trend requires the assent of the UK Parliament. With a combined 27 seats, the nationalist and Northern Ireland parties may well extract high prizes for their participation in crucial votes.

SCOTLAND

The SNP minority Government in Scotland has called for independence, and having launched a “National Conversation” on “independence and responsibility in a modern world”, is taking forward a Referendum Bill in the Scottish Parliament.

The Calman Commission proposals offer more devolution as an alternative to independence

Partly in response to the SNP’s plans, the Calman Commission was established in 2008 to review the *Scotland Act 1998*, with the support of the UK Government and the three main unionist parties in the Scottish Parliament.

The Commission made 63 recommendations on strengthening devolution; co-operation between Parliament and governments; the Scottish Parliament; financial accountability and tax-raising powers. Responsibility for implementing the recommendations lies variously with the UK Government and both the Scottish and UK

Parliaments. The coalition Government has pledged to implement Calman. *How will the tensions between the parties’ approaches and those of the Parliaments at Westminster and Holyrood affect the evolution of the devolution settlement?*

WALES

Under the *Government of Wales Act 2006*, the Assembly can pass legislation known as ‘Measures’ in matters where the UK Parliament has agreed that it should have the powers to do so. Powers to make Measures in new areas can be granted in ‘framework’ provisions included in UK Acts or in Legislative Competence Orders (LCOs). LCOs are effectively requests from the Assembly for additional powers, which have to be approved by the UK Parliament. There is likely to be re-examination of the balance between the use of framework provisions and LCOs, the complex procedures for granting LCOs, and the role of (Welsh) MPs in these processes.

The process of granting full law-making powers to the National Assembly has started

The *Government of Wales Act 2006* also allows the Assembly to acquire full law-making powers across all devolved matters. The process has five main stages:

1. A two-thirds majority in favour in the Assembly
2. A decision within 120 days by the Secretary

- of State for Wales either to lay a draft Order to hold the referendum or to refuse to do so, giving reasons
3. Approval of the Order by both Houses of the UK Parliament
4. Approval of the Order by the Assembly
5. A majority ‘yes’ vote in a referendum

We have reached the second stage: the Assembly voted in favour of a Welsh Assembly Government motion for such a referendum on 9 February 2010. The coalition Government has agreed to allow the referendum process to go forward. *Should the pace of devolution be decided exclusively in Wales or should this be a joint decision with Westminster? Would Wales vote ‘yes’? Current polls suggest a narrow majority in favour.*

NORTHERN IRELAND

Northern Ireland has had an Assembly and Executive for three years, but neither is yet seen to be functioning efficiently. Northern Ireland absorbs disproportionate Whitehall time and energy because of the fear of a return to a power vacuum which might be filled by terrorism. To ensure that the recently agreed devolution of policing and justice in 2012 works in practice is likely to remain a major objective for the UK Government, despite attempts to ensure that problems are resolved in Northern Ireland rather than being referred to the UK and Ireland.

Can the devolution of policing and justice operate effectively in practice?

The representation of all four major Northern Ireland parties in the Executive means that the concept of Cabinet collective responsibility familiar at Westminster does not apply. The Assembly has been slow to legislate and to show that devolution can make a difference to bread and butter issues such as education or health services. Several strains are developing in relation to one of the essential characteristics of the Belfast Agreement, the cross-community vote, before major decisions are taken. The DUP has called for reform together with a reduction in size of the Assembly.

The Conservative’s alliance with the UUP yielded no results in terms of seats, indicating that the re-integration of Northern Ireland politics with the mainland remain remote. Instead, the Unionist parties might form a united bloc to head off any prospect of a Sinn Fein First Minister. After an initial surge in the early 2000s, Sinn Fein’s support in the Republic is relatively low, although its support in the North remains solid. The prospect of the party winning a referendum for union with the Republic (provided for in the Northern Ireland Act 1998) looks unlikely in the short to medium term. *Will Northern Ireland’s parties continue to focus on identity issues, or on more mainstream concerns?*

AN EVER MORE DEVOLVED UNION?

Scotland, Wales and Northern Ireland are each moving in the direction of more devolution, albeit in different ways and at different paces. *Does this signify a maturing union or a disintegrating one? What does this mean for England? And how will the role of the UK Parliament develop?*

England in the Union

Helen Holden and Dominic Webb

Where does England fit in the increasingly devolved United Kingdom?

It is now over 10 years since the devolved legislatures and administrations were (re-) established in Scotland, Wales and Northern Ireland. Each arrangement has developed differently, but each has moved toward further devolution from Westminster. The evolving devolution settlement prompts questions about the representation of and funding for all parts of the United Kingdom.

THE WEST LOTHIAN QUESTION

The role of MPs from Scotland, Wales and Northern Ireland in the UK Parliament has become controversial now that there are devolved legislatures and administrations in those areas, responsible for subjects such as education, housing and health.

The so-called West Lothian (or English) Question asks why MPs from the non-English parts of the UK can vote on all English matters, while English MPs cannot generally vote on Scottish, Welsh or Northern Irish domestic matters (which have largely become the responsibility of the devolved bodies).

These issues came to the fore with the Government in the previous Parliament sometimes being dependent on the votes of MPs from Scotland, Wales and Northern Ireland to win votes in the House of Commons on legislation affecting England only. With the Conservatives winning a minority of seats across the UK but a majority of seats in England, and with the tight electoral arithmetic in the Commons, the salience of this question will increase.

ENGLISH VOTES FOR ENGLISH LAWS?

Could a system be introduced in the House of Commons whereby only English MPs would vote on 'English' bills or 'English' bills would pass only with the support of English MPs? The Conservative Party stated in its manifesto that a Conservative government would introduce new rules so that legislation referring specifically to England, or England and Wales, could not be enacted without the consent of MPs representing constituencies of those two areas.

Many challenges remain. *Precisely which bills are 'English'? A large proportion are a mixture of English and UK extent, as other measures are added during the passage of a Bill. What about 'English' bills that have public expenditure implications across the UK? Would such a system create two classes of MP?*

AN ENGLISH PARLIAMENT?

There is very limited mainstream political momentum for a separate parliament for England. It is hard to see how a UK federation of four parts would work, given the population size and wealth of England in relation to the rest of the UK. The Liberal Democrat Party stated in its manifesto that it would 'address' the status of England within a federal Britain, through its promised Constitutional Convention.

There are other outstanding devolution issues for the House of Commons:

- Is there a continuing role for MPs from Scotland, Wales and Northern Ireland in devolved, as well as reserved, matters at Westminster? Westminster can and

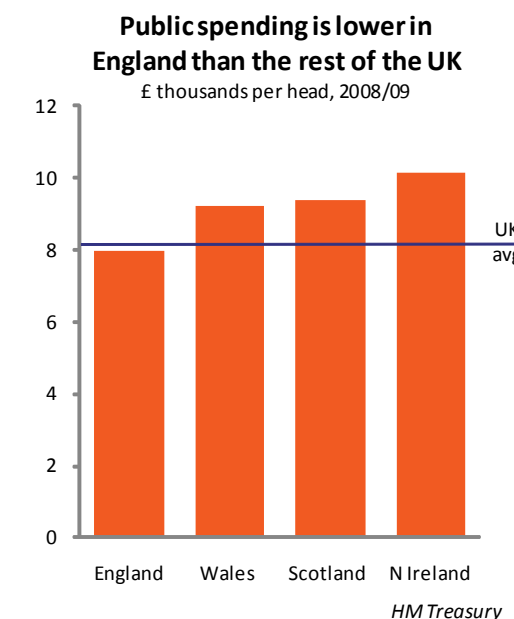
has legislated for Scotland, Wales and Northern Ireland on devolved matters (with the consent of the devolved legislature concerned) on a number of occasions since 1999 – much more often than originally expected. The Calman Commission has recommended closer working between the UK and Scottish Parliaments.

- Should the numbers of MPs from Scotland, Wales and Northern Ireland be reduced? Despite the devolved legislatures, they currently have disproportionate numbers of seats compared with their electorates.

IS IT TIME TO REPLACE THE BARNETT FORMULA?

The 30-year-old Barnett formula, which allocates public money to the devolved administrations, has been criticised on a number of grounds. The current arrangements are alleged to be unfair: public spending per head is 18% higher in Scotland and 16% higher in Wales than in England. With cuts to public spending widely expected, this disparity could come under even closer scrutiny. The current system has also been criticised for failing to give the devolved administrations responsibility for raising their own revenue.

Reflecting this dissatisfaction, there have been a number of recent reviews of the Barnett formula. These include the Calman and Holtham Commissions in Scotland and Wales respectively and a report by a House of Lords Committee. These reviews made a variety of recommendations for reform, including greater powers over taxation for the Scottish Parliament and replacement of the formula with



arrangements based on the relative need of the different parts of the UK. Gaining consensus on these relative public spending needs is likely to be a difficult task.

Will the spectre of public sector cuts result in more pressure for reform of the Barnett formula? Or will the influence of the nationalist parties in a hung parliament act in favour of its retention?

Financing local government

Gavin Berman and Keith Parry

Public finance difficulties are not restricted to central government

Local authorities are facing a period of fiscal tightening unprecedented in recent decades. None of the main parties included council financing as one of the areas to be protected from cuts to public services. Local authorities are therefore likely to face significant real terms cuts in grants received from central government.

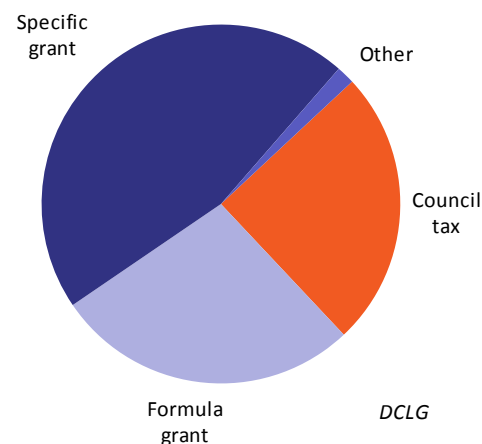
It has been suggested that in the next three-year spending review period, unprotected services could face annual real cuts of up to 10%. A 10% real terms cut in the 2010/11 grant to local authorities in England would be equal to approximately £6.7bn.

In theory, local authorities could increase revenue through the council tax. However, council tax revenue accounts for only one-quarter of local authority income. It might take an increase of one quarter in English council tax revenues fully to compensate a 10% reduction in grant levels. As the Conservatives have pledged a two-year council tax freeze, it is unlikely that council tax rises could be used to fend off significant cuts to services. In addition, local authorities have indicated little appetite for large increases in council tax.

Councils might attempt to raise additional revenue through fees and charges. However, there is limited scope to do so within the current framework, especially as demand for revenue raising services has fallen during the recession.

It is therefore difficult to see how local authorities will be able to avoid cuts to expenditure on services. Three broad

Council tax finances one-quarter of local government expenditure



options for the future of local government services have been suggested:

1. **'Core services plus'** – could the number of services to which individuals are automatically entitled be reduced? Councils might provide a core level of service free at the point of delivery and charge for additional services. *How would the 'core' services be defined? Would this be mandated centrally or would individual local authorities be able to decide which services they deem to be core?*
2. **Increase local decision making** - some argue local authorities are more responsive to the needs of local citizens than central government. Could

OPTIONS FOR COUNCIL TAX

Council tax is identifiably local, predictable and difficult to evade. However, it is seen as regressive and its limited yield, which does not automatically increase with economic growth, arguably fails to provide the flexibility councils need in the current climate.

There has been no general **revaluation** of domestic properties in England since council tax was first introduced in the early 1990s. Dwellings are therefore placed in council tax bands according to their capital value on 1 April 1991. The *Local Government Act 2003* established a fixed ten-yearly cycle of revaluations from 2007 to ensure council tax bands were based on more up-to-date property values. This was later revoked and the Secretary of State has the power to set the date of any future revaluation by Order.

Revaluation in Wales went ahead as planned in 2005. Though a revaluation should, in theory, be revenue-neutral, there was a perception it led to increased bills. Transitional measures were introduced to ensure that no dwelling moved up more than one band in a year.

Should there be a general revaluation? Should the banding system be revisited? Should council tax be replaced?

Alternatives to council tax include local income tax, local sales tax or higher fees and charges. No option is likely to be popular and Governments have faced political difficulties in reforming local taxation in the past.

efficiency gains be made by more localised public services? *Such an option would in all likelihood lead to a variation in the types and quality of services provided by local authorities and allegations of a 'postcode lottery'.*

It is likely that local authorities will devise strategies that call on a mixture of the three options. However, it seems inevitable that they will still be left with difficult decisions regarding the provision of local services.

3. **More effective collaboration** - local authorities may be able to reduce costs by collaborating more on service provision and sharing innovative approaches. *Should such collaboration be allowed to progress freely or would there be a need for a more formal national template?*

Volunteering and civic participation

Lorna Booth

Efforts to increase public involvement in local communities and public services may face challenges

During the election campaign there was much discussion of the idea that people should be more active in local communities and even public services. Do people currently get involved? And is there enthusiasm for doing more?

Most people are already involved in some type of voluntary or civic activity, at least occasionally.

THE LEADERSHIP OF LOCAL PUBLIC SERVICES

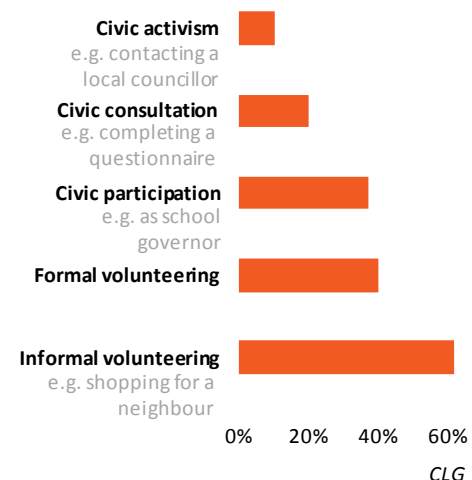
While people can vote for local councillors or the governors of their local NHS Foundation Trust, the leaders of many other local services are not directly elected. There are a number of proposals to change this: for example, the Conservatives have suggested making the police accountable to a directly-elected individual and the Liberal Democrats have proposed the direct election of local health organisations, police authorities and part of National Park boards.

People are more likely to want to get involved in running a public service if they or their family know that service well, perhaps as regular users or staff. The main parties all have proposals that would allow staff to be more involved in running services.

Plans for greater public involvement in the running of public services appear to be intended to provide incentives for and pressure on providers to perform well without the need for central control. They are in line with moves to increase consumer choice, and access to redress and public information.

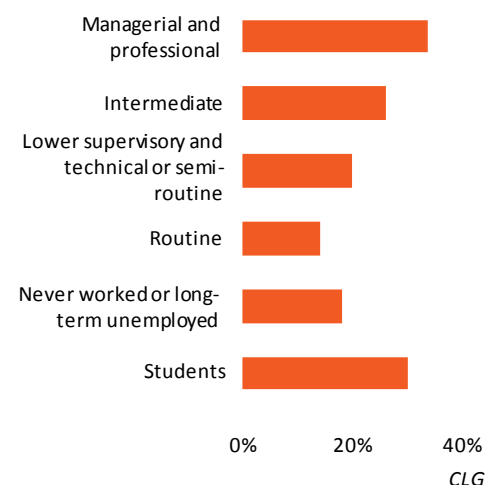
Many people are already active in their communities

Percentage of people taking part each year, England



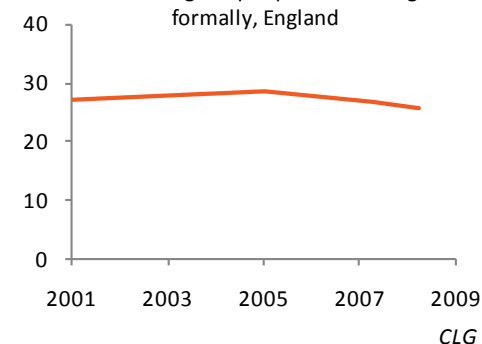
Volunteering varies by socio-economic group

Regular formal volunteering, 2008/09, England



Volunteering levels have been flat for the past few years

Percentage of people volunteering formally, England



CHARITIES AND PUBLIC SERVICES

Charities are earning more of their income providing public services. General charities earned £7.8 bn from statutory sources in 2006/07, 87% more than in 2001/02 in real terms. Grant income from statutory sources, by contrast, has not risen.

DELIVERING PUBLIC SERVICES

It is relatively rare for members of the public to get involved regularly in the day-to-day delivery of public services, although it does happen: for example, lay magistrates are often volunteers. It is more common for services to be run by charities, voluntary organisations or social enterprises.

Involvement of the voluntary system may result in more diverse and responsive public service provision. It can also contribute to community engagement. However, previous government initiatives to strengthen the voluntary sector's

role in public services have had limited success and there is little evidence on the performance or value for money achieved.

VOLUNTEERING AND CHARITABLE GIVING

There is broad support for increasing volunteering and charitable giving. The Conservatives have an ambition that every adult in the country be a member of an active neighbourhood group. The Liberal Democrats have suggested ensuring volunteers need only one criminal record check by making checks portable. Labour has proposed a National Youth Community Service with all young people contributing at least 50 hours to their communities by the age of 19.

Increasing the number of volunteers may be a challenge: despite various initiatives to promote volunteering, neither the number of volunteers nor the time they spend volunteering has risen.

By far the most common reason for not volunteering, or only volunteering occasionally, is lack of time. Other reasons that volunteers commonly cite include being put off by bureaucracy, worry about risk and liability, not knowing how to go about getting involved and not having the right skills and experience.

There are notable variations in participation rates between socio-economic groups, which suggests that there may be a risk that certain groups are under-represented in any further extension of volunteering or civic action. This may be a particular challenge if the role of the public in the running of public services is to be increased.

Crime and local accountability

Gavin Berman

Is neighbourhood-level monitoring of neighbourhood policing counter-productive?

The concept of neighbourhood policing, where policing is focussed towards the local priorities of the community and the police are more accountable to citizens, has cross-party support.

WHAT IS NEIGHBOURHOOD POLICING?

Neighbourhood Policing Teams (NPTs) have been set up to concentrate on policing small geographic areas. These tend to be a single ward in urban areas and a group of wards in more rural areas.

NPTs are usually led by police officers and include police community support officers

ACCOUNTABILITY AND DIRECT ELECTION

Could direct election improve police accountability? Currently, police authorities are made up of local councillors and independent members, but the public knows little about them. Labour consulted on direct election of police authority members in 2008, but decided against this on cost grounds, and to avoid politicisation. Liberal Democrats favour direct election of most police authority members. Conservatives propose replacing police authorities with directly elected commissioners.

- Are police authorities too invisible to provide adequate accountability?
- Would direct elections make the police more responsive, or distort their priorities?
- Would enough people vote?
- If turnout were low, could extremists hijack elections?

(PCSOs). They often work with local authority wardens, volunteers and other partners.

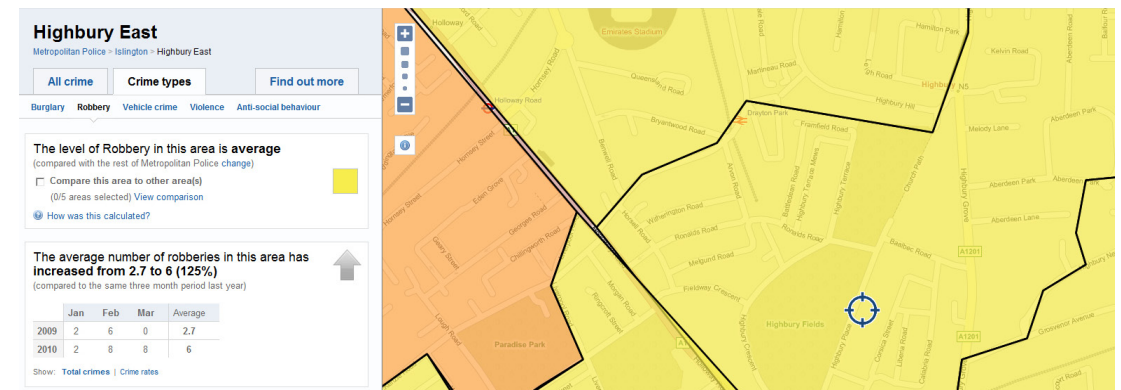
In order for the local community to be able to hold the police to account, they need access to local crime data at as local a level as possible. The Casey Review of crime and communities suggested that 58% of the public want information about what is being done to tackle crime and anti-social behaviour in their area. In a well-functioning system, such information should make the police more accountable to the local community and thus more responsive to their needs, in turn increasing public confidence in their local police.

The Crime Mapper website provides data relating to crime and anti-social behaviour for a selected area and allows for comparisons of monthly data for up to five areas. Information is available by Police Force, Basic Command Unit (BCU), Crime and Disorder Reduction Partnership (CDRP) and NPT.

PROBLEMS WITH MEASURING CRIME AT VERY LOCAL LEVEL

Making local level crime statistics easily accessible to the public is not without potential problems:

- **Small numbers of crimes:** Within a single NPT area there are likely to be low numbers of offences in a given month or quarter. There is a danger that inappropriate conclusions regarding crime rates will be drawn from changes in these very small numbers, which may actually be attributable to statistical variation. Such problems can be magnified when changes are put in percentage terms. In the example shown,



a change from 2.7 robberies to 6 is a 125% increase but the same change in the opposite direction is a 55% fall.

- **Re-classified data:** The information provided on the website is provisional and subject to change as offences are re-classified following investigation. How will citizens react if, due to re-classifications, a previous rise in crime is revised to show a fall in offences? Will they accept that this is a pitfall to be expected when using administrative data or could NPTs be accused of manipulating the data?
- **Media bias:** The media are more interested in rises in crime than in falls, so headlines will tend disproportionately to report crime increases. With relatively small numbers of offences recorded, there will usually be the opportunity to report on large proportionate increases in certain crimes in certain areas.
- **Limited data available:** Each neighbourhood has different policing priorities, yet the information provided by Crime Mapper only provides data for total recorded crime plus the centrally selected

offences of burglary, robbery, violence, vehicle crime and anti-social behaviour. What use is this tool to local residents if what they perceive to be their policing priority is not covered by the centrally selected offences? For example, there may have been a spate of criminal damage offences relating to vehicles within the neighbourhood. A local resident would not be able to use the tool to see if surrounding areas were also being similarly affected and how this had changed over time.

UNINTENDED CONSEQUENCES?

Will the police divert resources towards those offences affecting the participative middle classes at the expense of other groups within the community who take a less active role? Is this a tool that will be used by the middle classes to steer clear of areas with high crime rates, leading to the creation of ghettos in these areas? Will local accountability result in police priorities being skewed towards tackling crimes that have, rightly or otherwise, been perceived to have increased?

The problems of British society

Arabella Thorp and Steven Kennedy

Is Britain broken? What are the policy implications?

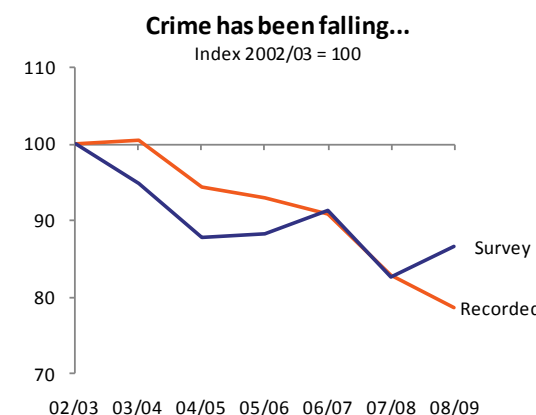
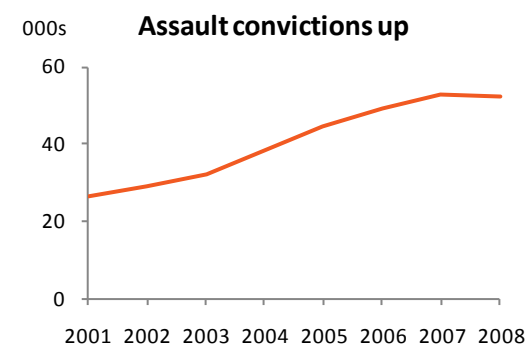
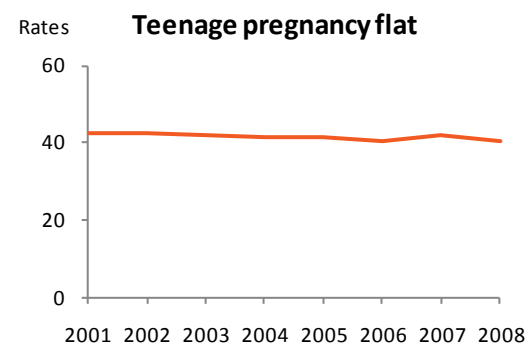
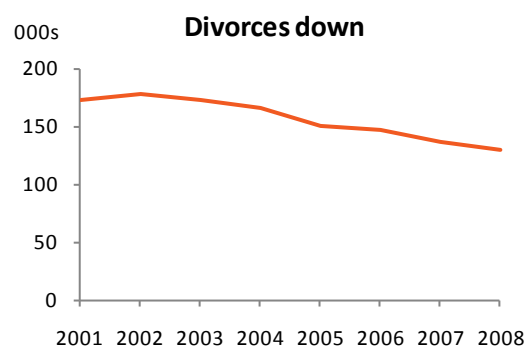
“Broken society” may be a catchy phrase, and useful for encompassing a variety of social ills, but what does it mean? Are the problems in our society really getting worse? And does the phrase point towards a coherent agenda for government action?

A MIXED PICTURE

Drug abuse, violent crime, teenage delinquency, family breakdown, welfare dependency, poor urban environments, educational failure, poverty, the loss of traditional values, teenage pregnancy, dysfunctional families, binge drinking, children who kill: all have been cited as proof that we have a broken society.

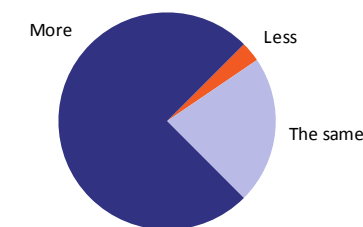
Tony Blair in 1995 asked us to look at “the wreckage of our broken society” and, using the now-familiar language of rights and responsibilities, called for a new civic society where everyone played a part. The phrase then really came into its own in the Conservative leadership campaign in 2005, first from Liam Fox and then with David Cameron taking up the term in his leadership acceptance speech. It is now strongly associated with Iain Duncan Smith’s work for the Centre for Social Justice and the Conservative’s Social Justice Policy Group, and the promise to “mend Britain’s broken society” became a dominant theme of the Conservative general election campaign.

But the picture is clearly more mixed than some commentators suggest. There are undoubtedly some serious social problems in Britain, and whilst some things have got worse, many have improved. Moreover, perceptions of some problems are increasingly wide of the mark.



... but few people perceive this to be the case

Perceptions of trends in national crime levels



Home Office

AN AGENDA FOR ACTION?

So if the reality does not always match the rhetoric, why does talk of a “broken society” strike a chord with so many people? Parts of the media have certainly latched on to the phrase and there is clearly unease across the political spectrum about how society is changing. For some, the state of society as they see it points towards moral decline and a collapse in community spirit. Others see the use of the term as another way of “blaming the victim”, deflecting attention from fundamental problems such as poverty and inequality. Either way, divorce and addictions amongst successful professionals rarely provoke the same response as do lone-parent families and substance abuse in poorer parts of society.

Whatever the reason for its wider appeal, politicians using the term “a broken society” have clearly presented it as the result of a failure of policy. By implication, therefore, policy can

help to “mend” it. But the causes of many social problems are unclear and/or disputed, and the evidence that government policy can influence behaviours in the intended direction is patchy at best.

Referring to a “broken society” may therefore be of little help when drawing up an effective agenda to tackle diverse and complex social issues. The test is whether new approaches will succeed where others are seen to have failed.

Alcohol policy

Philip Ward

Can Government tackle Britain's problems with alcohol without penalising the responsible?

It is generally accepted that Britain has an alcohol problem. Our alcohol consumption has been rising since the 1950s, and this has brought consequences for public health and public order.

LICENSING ACT 2003

Much of the attention has focused on the *Licensing Act 2003*, which brought an end to fixed licensing hours dating from the First World War. The Continental-style "café culture" promised by the architects of reform somehow never arrived, but nor did the explosion of "24-hour drinking" threatened by the tabloid press. In fact, only a tiny minority of licensed premises choose to open for 24 hours. Rather, the effect of ending the "11 o'clock swill" has been to push public order problems further into the night – with resultant strains on the emergency services. Some fear that city centres have become "no-go zones" for families and older people at night and call for the 2003 Act to be tightened.

Politicians are anxious to act on the issues, but standard policy measures risk hitting the good as well as the bad. Government has been keen to safeguard the interests of "responsible" drinkers and to endorse the "great British pub" (where drinking is supervised), especially at a time of economic difficulty when many pubs are going out of business.

Likewise, it is economically and politically expedient to support traditional and regional industries such as manufacturers of whisky,

cider and real ale. Consequently, policy-makers have looked for more targeted measures.

TARGETED POLICY

In a substantial report published in January 2010, the Health Select Committee identified the main problem as being the availability of cheap alcohol. Supermarket alcohol prices have fallen in recent years. Indeed, some supermarkets have used beer as a "loss leader", especially during bank holiday weekends or major sporting events.

The committee's proposed solutions were to introduce minimum pricing and, in the longer term, to increase duty rates significantly. The Committee recognised that neither solution would work in isolation since the aim must be to discourage consumption of the cheapest alcohol (those types favoured by "binge" drinkers) without simply increasing the profits of supermarkets and the drinks industry.

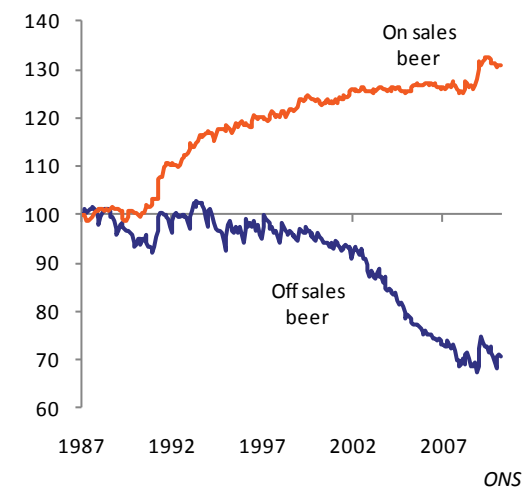
Scotland is in the process of introducing minimum pricing by legislation. The last

PUB CLOSURES

The British Beer and Pub Association calculates that a net total of 2,365 pubs closed in 2009, a rate of 45 per week. There is, however, evidence that the rate of closures has slowed.

There are now around 52,500 pubs in the UK, compared with 58,600 when the Licensing Act 2003 came into force in 2005.

The gap between real pub and off-licence beer prices has grown dramatically
Jan 1987=100



Westminster government was lukewarm about minimum pricing, arguing that it was a blunt instrument that would penalise those who drink responsibly as well as the "binge" drinkers who were its intended target. They preferred other options. These included new mandatory conditions on alcohol sales (e.g. banning "all you can drink" offers) and a new power for local authorities to initiate licence reviews when presented with evidence of illegal actions.

There is little hard data pointing unequivocally to an increase in alcohol-related crime since 2005, when the licensing reforms took effect. However, faced with palpable problems on the streets, residents, police and local authorities

have called for more targeted means to deal with alcohol-related disorder. Two legislative measures show the varying fortunes of such initiatives:

- *Designated Public Place Orders*, which give councils the power to ban drinking in specified public places (though not to issue a blanket ban on drinking in the open air) are a clear success: 780 were in force as of March 2010.
- *Conversely, Alcohol Disorder Zones* (empowering councils to surcharge licensed premises associated with disorder) have found no favour: not one has been set up. The difficulty lies in linking disorder to specific premises. The availability of off-licence alcohol facilitates "pre-loading" by drinkers, who may already be well on the way to intoxication when they arrive at pubs or clubs.

WHERE FROM HERE?

Over the years there have been numerous "micro" measures, some seemingly successful, some evidently unsuccessful, some where the impact is not yet measurable. This is a case for "joined-up" government (between DCMS, the Department of Health and the Home Office) and considered reflection on what has worked. Whether effective and targeted policy can be formulated and enacted in the midst of a tabloid storm and the constant demands to be seen to be tackling a problem is another matter.

Marriage and cohabitation

Catherine Fairbairn

Should Government intervene to promote marriage? How might this be done?

Opinions are divided on the importance of marriage as an institution and as to whether Government intervention to promote it is desirable. In recent times there has been a move to regarding parenthood, rather than marital status, as the key relationship. Factors which have been influential in this shift include:

- increasingly couples now choose to cohabit rather than marry
- more children are being born whose parents are not married to one another – 45% of births are now outside marriage
- barriers to adoption by unmarried couples (including same sex couples) have been removed

ATTITUDES TO MARRIAGE AND COHABITATION

Survey evidence on the importance of marriage is mixed. The National Centre for Social Research *British Social Attitudes* study demonstrates that cohabiting unmarried parenting is increasingly seen as acceptable. The proportion who agree “it makes no difference to children whether their parents are married or just living together” rose from 38% in 1998 to 45% in 2006. 27% disagreed with the statement in 2006, with the remainder taking no view.

Polling carried out by YouGov for the Conservatives’ Centre for Social Justice found:

- 57% believed the law should promote marriage in preference to other kinds of family structure
- 58% thought giving cohabitants similar legal rights as the married would

undermine marriage and make people less likely to wed

- 85% supported a tax break to promote marriage

RECOGNISING MARRIAGE IN THE TAX SYSTEM

In their manifesto, the Conservatives pledged to recognise marriage and civil partnerships in the tax system in the next Parliament, calling this an important signal of the recognition of the value of the commitment made by people when they get married.

Some commentators have queried whether the proposed benefit of up to £150 a year for lower and middle-income couples will actually make any difference, questioning its value as an incentive either to get or to stay married.

ENCOURAGING RECONCILIATION

When they were last in Government, the Conservatives enacted the *Family Law Act 1996*, Part II of which was intended to revolutionise the divorce process and to introduce “no fault divorces”. Parties to a divorce were to be obliged to attend “information meetings” with a view to encouraging reconciliation. Following disappointing results from a series of information meeting pilot schemes, the Labour Government announced that the relevant provisions would be repealed. However, though Part II was never brought into force, it remains on the statute book.

More recently, in its 2009 report, *Every Family Matters*, the Conservatives’ Centre for Social Justice accepted the retention of a fault

provision during divorce proceedings and recommended a compulsory three-month “cooling off” period in which estranged couples would have to find out about the implications of a divorce.

OTHER PARTIES

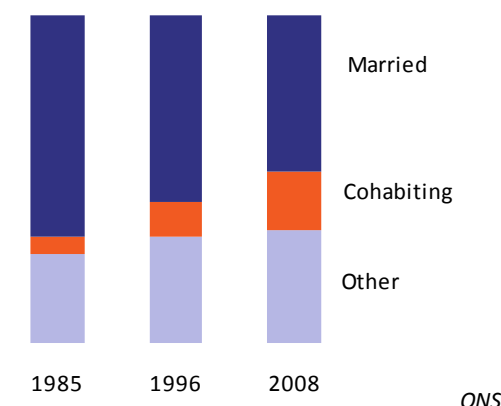
The Labour Party acknowledge that marriage is fundamental to society, but have stated that financial support should be directed at all children, not just those with married parents. Similarly, the Liberal Democrats stated that families of all shapes and sizes should get the support they need to thrive.

SHOULD GOVERNMENT SUPPORT MARRIAGE AND WOULD POLICY MAKE ANY DIFFERENCE?

Iain Duncan Smith condemned the Labour Government for saying that all family structures deliver the same outcomes, pointing to evidence which indicates that marriage produces the best outcomes for children. Other research has indicated that encouraging parents to marry is unlikely to lead to significant improvements in young children’s outcomes.

Arguments about whether policy to support one or more form of relationship between adults can succeed are likely to continue. Should the focus instead be on the parent-child relationship? Do the rights of cohabiting parents need to be addressed? Whatever their views on marriage, can politicians effectively change long-running social trends?

Increasingly people are cohabiting rather than getting married
% women aged 18-49 in Great Britain



COHABITATION – WHAT IS ITS STATUS?

Many people seem unaware that no general legal status attaches to what is often referred to as “common law marriage”. Arguments have been advanced both for and against extending new rights to cohabitants, some based on whether any new scheme would effectively undermine marriage.

In July 2007 the Law Commission published a report which considered the financial consequences of ending cohabiting relationships. It recommended the introduction of a new statutory scheme of financial relief on separation, based on the contributions made to the relationship by the parties. The Labour Government later announced that it would be taking no action to implement the Law Commission’s recommendations until a similar scheme recently implemented in Scotland could be assessed.

Issues in employment law

Vincent Keter

Several major issues of employment law remain unresolved. Much may depend on the wider economic climate

The last three Parliaments saw a trend towards more employment protection measures. However, UK employment law still has lower levels of employment protection and more labour market flexibility relative to other EU Member States, such as France. Industrial relation law has preserved the basic restrictions on industrial action introduced by previous Conservative governments, while adding measures to support collective bargaining which are contained mainly in the *Employment Relations Act 1999*. A range of measures have increased rights and protections for working parents and carers. Several major issues of employment law remained unresolved.

EQUALITY ACT 2010

The *Equality Act* is mostly intended to harmonise anti-discrimination law and much of it replicates pre-existing provisions which were repealed, although a number of changes were made. Various of these changes were opposed by the Conservatives, the most notable being the socio-economic equality duty on public sector organisations, and proposals to compel larger organisations to publish information about gender pay differences in their workforce. There were also extensive debates about whether caste should be added as a protected characteristic, a matter which is subject to ongoing review.

MANDATORY RETIREMENT

At present, under the *Employment Equality (Age) Regulations 2006*, employers are within their rights to lay down mandatory retirement ages in contracts of employment. Under age

discrimination legislation which came into force in 2006, compulsory retirement ages are unlawful unless they can be objectively justified. However, this is subject to a national default retirement age of 65 which allows mandatory retirement for those over this age (or the employer's normal retirement age) as long as employees are given the opportunity to exercise their right to request working beyond retirement age. This part of the regulations was recently subject to an unsuccessful legal challenge on judicial review on the question of whether it complies with EU law.

At present, employers can enforce objectively justified mandatory retirement ages

The decision to have a national default retirement age was due to be reviewed in 2011. The Labour Government subsequently announced that the review would take place in 2010, though this was not completed by the end of the last Parliament. A *Survey of Employers' Policies, Practices and Preferences relating to age* was commissioned.

It is important to stress that the "retirement age" and the "pension age" are not synonymous. The retirement age is the age at which one can be required to leave work. The pension age is that age at which one can start to draw an unreduced pension.

EU PREGNANT WORKERS DIRECTIVE

Proposals at an early stage at EU level for changes to the EU Pregnant Workers' Directive

have concerns from business. The UK currently offers new mothers a comparatively generous one year's statutory leave but at relatively low rates of pay. Business concerns have focussed on a proposal to require 18 weeks at full pay.

WORKING TIME DIRECTIVE

Workers may agree with their employers to "opt out" of the 48 hour limit on the working week imposed under the *Working Time Directive*. Following a review, the European Commission made proposals to reform the facility to opt out. The European Parliament voted to abolish it entirely. The matter was subject to qualified majority voting (QMV) in the Council of Ministers where negotiations encountered ongoing deadlock, with the UK trying to retain the opt-out and a number of other countries trying to have it phased out. This deadlock was broken in June 2008 when a common position was reached retaining the opt-out. However, on 17 December 2008 the European Parliament voted again to abolish it. The matter then went to the final conciliation stage involving the Commission, Parliament and Council. This conciliation failed to reach agreement and so the proposals fell. Following the 2009 EP elections the Commission has revisited these proposals.

Concerns arise in relation to the health and social care sector and, particularly, the position of doctors. Since August 2004, junior doctors have been gradually brought within the provisions of the directive. The European Court of Justice has ruled that all time spent by doctors on call at a "health centre" counts as working time. Accordingly, abolition of the opt-out could result in health service staffing problems in the UK as well as other EU Member States. These

judgments are referred to as "SIMAP" and "Jaeger". EU Commission proposals are likely to focus on this issue with a view to tackling the effects of these judgments on health service employment which has had impacts across the EU.

The abolition of the working time opt-out could bring issues in the NHS at a time when funding will be stretched

FUTURE TRENDS

The wider economic climate will influence the direction of employment law debate. Cuts in the public sector, where more than half of the workforce is unionised, could bring industrial relations issues to the fore. There may also be further advances in "family friendly" employment rights, either as a result of EU or domestic legislation.

Housing supply and demand

Wendy Wilson

The failure of housing supply to keep up with rising demand has wide social and economic implications

It has been clear for some time that housing supply is not keeping up with demand. Reasons for rising demand include improved life expectancy rates and a growing number of one-person households. There are almost 1.8 million households on English local authority housing registers and significant levels of overcrowding in the private and social housing stock. Poor housing impacts directly on residents' health and educational attainment, while difficulties in accessing affordable housing can also limit the ability of people to move to find work. The need to increase the supply of housing and tackle affordability issues is a key housing policy issue. Yet despite the critical social and economic role that housing plays, it has tended not to have the same political profile as, say, health and education.

HOW MUCH HOUSING?

In 2007 the Government set a target of increasing the supply of housing to 240,000 additional homes per year by 2016. Within this overall target was a commitment to deliver at least 70,000 affordable homes per year by 2010-11, of which 45,000 were to be new social rented homes. There was debate over whether this target would meet the demand for new housing and deal with the backlog of unmet housing need.

THE CREDIT CRUNCH - IMPACT

In fact, the onset of the credit crunch in 2007 put the achievement of even these

targets under serious pressure. Despite rising demand, the collapse in mortgage advances meant that private builders reduced the supply of new housing. Put simply, house-builders will not build houses that they cannot sell.

Falling house prices in the recession have not solved the problem of affordability as they have been accompanied by tighter lending criteria, particularly larger deposit requirements. Indeed, the National Housing and Planning Advice Unit (a non-departmental public body) has said that the recession has increased the requirement for house building (e.g. to make up for the fall off in construction rates). It has advised that up to 290,500 additional homes may be needed in each year to 2031, although this requirement is not uniform across the regions.

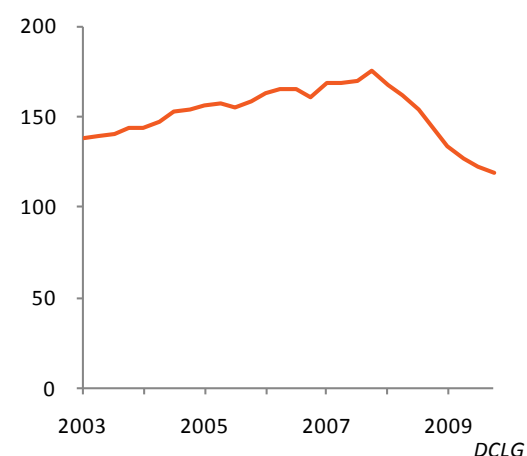
PROSPECTS & ISSUES

Swift nationwide recovery in the housing market is unlikely while lenders remain cautious and house builders face difficulties in accessing commercial finance

Both the Labour and Conservative manifestos expressed a commitment to the extension of home-ownership. However, the Labour manifesto did not include any figures on the numbers of new homes that might be delivered beyond 2011. The Conservatives would seek to abolish regional housing targets and devolve decision making over the number of houses built to local authorities.

Housebuilding has fallen sharply

Housing completions, England, 000s, four - quarter rolling total



In both cases this leaves the central question of whether the future supply of housing will actually meet demand (and outstanding unmet need) unresolved. The Liberal Democrats make no explicit investment promise around housing supply but have made reference to additional subsidy to allow an increase in the supply of new sustainable homes; there is also a commitment to bring 250,000 empty properties back into use.

Housing experts question whether it is appropriate to continue to focus housing policy on increasing levels of home-ownership when social and economic benefits could be gained from a more balanced approach to housing tenure. How far can sustainable home-ownership be increased while demand continues to exceed supply?

CAN SOCIAL HOUSING FILL THE GAP?

In the face of the downturn the supply of new social housing has been supported through direct Government intervention in the form of accelerated and increased funding. There are questions around how the provision of new social housing can be sustained in the light of future cuts in public expenditure, while the final outcome of the Government review of council housing finance will be crucial in determining future investment in council housing stock.

Pressure is continuing within the housing industry to amend borrowing rules so that, in line with the rest of the EU, investment by public corporations is no longer counted as part of the public sector debt, thus removing a constraint on investment in council housing and creating more of a level playing field between the providers of social housing. Of the three main Parties, only the Liberal Democrats included a manifesto commitment to investigate this option.

There is general consensus over the need to increase the supply of housing but it is unclear whether or when the market will recover sufficiently to meet this need. The market downturn could result in a reshaping of tenure in the UK, with more focus on renting as a sustainable alternative to ownership in the longer term. Clearly, if the social housing sector is to meet the need for more housing, additional investment will be required.

Social mobility: missing an opportunity?

Steven Kennedy

Trends in social mobility are unclear, but life chances remain closely linked to background

'Social mobility' - or the lack of it - has been identified across the political spectrum as a problem to be addressed. All parties espouse 'equality of opportunity', but obstacles to moving up (and down) the social ladder can also stifle productivity and economic growth. But what does the evidence actually tell us about how people's life chances are influenced by their background? And what can governments do about it?

Evidence to support claims that social mobility has *declined* is far from clear cut. One study found that earnings for those born in 1970 were more closely linked to their parents' incomes than for those born

in 1958, suggesting a fall in social mobility, but this is disputed. Studies looking at social class suggest that, after taking into account changes in occupational structure, rates of social mobility changed little over the postwar period.

Measuring social mobility presents fundamental problems. Since outcomes for individuals cannot be known for sure until they have reached middle age, we know more about what *has* happened to social mobility, rather than what *is* happening. Studies analysing 'intermediate' outcomes (e.g. test scores) suggest that for children born more recently social mobility may not have worsened, and some indicators suggest a weakening influence of family background, but as regards the overall impact of Government policy since 1997, the jury is still out, and likely to remain so for some time.

The full impact of policies such as Sure Start will not be known for many years

Whatever the picture over time, evidence suggests that rates of social mobility are lower in the UK than in many other developed countries.

INCREASING SOCIAL MOBILITY

What drives social mobility, and what policies might increase it? The OECD concluded that while factors such as individual ability, family and social environments, networks and

attitudes all have an influence, government action, particularly in education, can help children achieve a higher income and social status than their parents. In the UK the National Equality Panel chaired by John Hills, while highlighting how economic advantage and disadvantage are reinforced across the life cycle and between generations, also rejected the idea that policy can't make a difference, and suggested various areas - including schooling and education, tackling labour market disadvantage and neighbourhood renewal - where government action could help.

Moving up the ladder is harder if its rungs are further apart

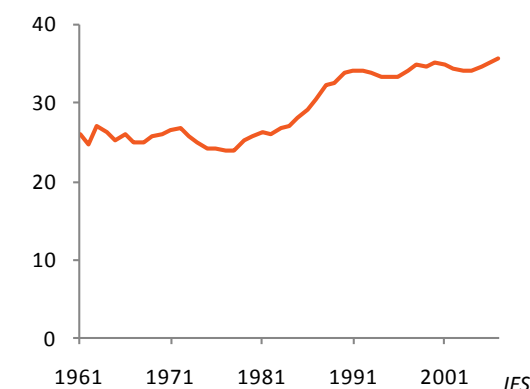
However, studies also suggest that intergenerational mobility is lower in more unequal societies. Inequality may reinforce immobility in a number of ways. The greater the rewards from top jobs, the more likely it is that parents who can afford it will seek to ensure their children secure them. As the Hills report noted, those near the top will fight to ensure their children don't slip down. The link between house prices and proximity to good state schools is well documented.

INCOME INEQUALITY

Income inequality in the UK increased dramatically in the 1980s - a change unparalleled in scale in comparable countries in recent history - and has remained high

Inequality rose quickly in the 1980s and has not fallen since

GB gini coefficients (before housing costs)

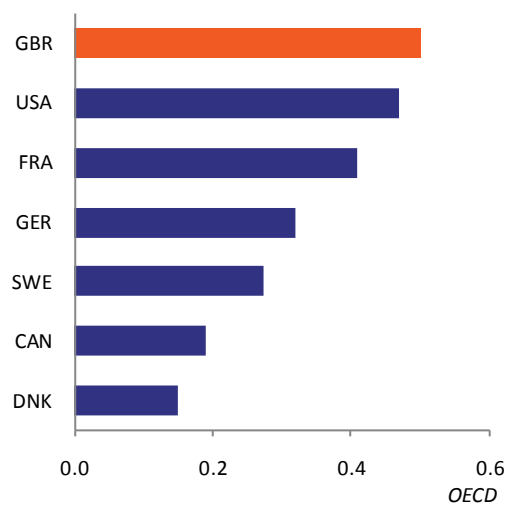


since, with inequality on some measures now at its highest level for at least 60 years. The IFS has shown that without Labour's redistributive tax and benefit policies since 1997, inequality would have risen even more sharply.

Increased inequality has not, in the UK at least, translated into pressure for government action; surveys suggest support for redistribution has declined since the 1990s, most markedly among Labour supporters. But if high levels of inequality are here to stay, attempts to increase social mobility - however well focused - may achieve less than is hoped.

Britain is less socially mobile than other countries

Strength of link between sons' and fathers' earnings. Lower numbers suggest more intergenerational mobility



Broadband access

Emma Downing

The UK needs to get up to speed on broadband to avoid a digital divide

A broadband internet connection is increasingly viewed as a vital utility at work and home – the electricity of the 21st century.

A largely deregulated market means that broadband services are competitively priced. However, it also makes the provision of these services a commercial decision by Internet Service Providers (ISPs), often favouring the denser urban areas.

The previous Government advocated broadband access for all and support for the rapid uptake of next generation services, providing superfast broadband, to ensure that the UK's digital economy remains competitive as new applications and devices require increasing bandwidth. These aims have cross-party support. However, market forces cannot guarantee this on a particular timescale across the country so the question more hotly debated is what government intervention, if any, is appropriate, and when?

WHO'S MISSING OUT?

In the 1990s the talk was of a large urban/rural digital divide based on broadband access. By 2003, 95% of urban centres had access to broadband, compared to just 7% of rural villages and 1% of remote rural areas. By 2005 this gap was closed with expansion of the BT network and a £30 million government Broadband Fund.

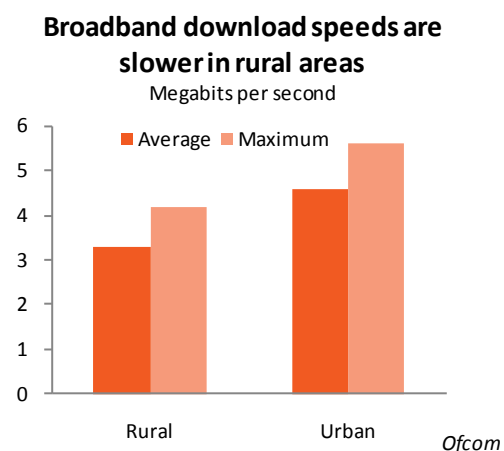
In 2009 over 99% of UK households were connected to a broadband enabled exchange. However, around 1.5 million households, often clustered in rural areas, still have little or no broadband availability for technical reasons. Of the 10.2 million adults in the UK who have

never even used the internet, 4 million (9% of the population) are also considered socially excluded. Digital divides are in danger of opening again.

SPEED IS OF THE ESSENCE

The speed of a broadband connection dictates how quickly you can see pages on a website or download large files such as films, or whether you can use certain services such as online TV. A speed of at least 2 megabits per second (Mbps) allows you to do these things relatively easily. However, 2.75 million people, mostly in rural areas, have broadband speeds of less than 2 Mbps, often because of long distances from an exchange.

Slower speeds can confer competitive disadvantages on businesses, e.g. affecting on-line booking services and provision of wi-fi services. For citizens, it affects working from home or internet shopping. For both, it may determine where they locate.



A UNIVERSAL COMMITMENT

The Labour Government's 2009 digital economy strategy, *Digital Britain*, set broadband access targets to avoid the economic and social costs of a digital divide:

- A Universal Service Commitment (USC) for broadband at 2Mbps for all by 2012
- 90% of the UK to have superfast broadband by 2017 (i.e. greater than 24 Mbps)

Broadband Delivery UK was established in March 2010 to deliver these ambitions with a potential £1 billion budget using the under-spend in the Digital Switchover Help Scheme (for the USC), and revenue from a controversial landline levy to finance the roll-out of superfast broadband to the less commercially attractive "final third" of the country. This levy was "lost" from last session's Finance Bill with strong Conservative opposition. The Conservatives favour a market-based route of requiring BT and other infrastructure providers to allow access to their assets by other operators - measures which Ofcom, the communications regulator, has already proposed. They would also tap into the digital switchover element of the BBC licence fee if necessary. The Liberal Democrats support government funding for superfast broadband if it targets the "final third" first. Any government has to be careful that public funding isn't offered where private investment may have been forthcoming. A tricky call. Commercial investment in next generation networks is already underway. BT has invested £1.5 billion in a fibre-based network to cover 40% of the UK by summer 2012, with £1bn available to extend this to 60% by 2015.

Virgin Media's 50 Mbps cable service covers 46% of the population and the operator is trialling the use of telegraph poles in rural areas to extend this service. Some people will leapfrog to better services but less than 1% of areas may still pose technical obstacles too expensive to overcome.

COMMUNITIES ARE DOING IT FOR THEMSELVES

Some remote, rural communities have already set up their own broadband schemes with shared community ownership. The Community Broadband Network (CBN) is a co-operative of such schemes and it is now looking to purchase and sell services jointly across the UK. Smaller, conventional service providers are also starting to specialise in providing rural, next generation broadband services and catalysing local action to support local networks. Regional Development grants and European funding can support this investment.

AVOIDING ANOTHER DIGITAL DIVIDE

Broadband brings a new government potentially exciting opportunities for economic growth, new services and social change. Superfast broadband could support telemedicine and new ways of organising data (cloud computing), and increasingly people will access these from their mobile phone. However, these exciting developments also bring the challenges of supporting network investment and avoiding digital exclusion. No-one knows exactly what impact next generation services will have on the nation, but no government wants to risk being too slow to find out.

2012 Olympics: a sporting legacy?

John Woodhouse

Will the London Olympics secure its promised mass sports participation legacy?

The London 2012 Games begin in a little over two years' time. The claimed legacy benefits of hosting the Games were at the heart of London's original bid and, following the bid's success, the previous Government published a Legacy Action Plan in June 2008. One of the five legacy promises is **to make the UK a world-leading sporting nation**: this includes a commitment to help at least two million more people in England be more active by 2012.

The Department for Culture, Media and Sport leads on getting more people active through sport, while Sport England (the government agency responsible for community sport) is working to get one million more adults regularly taking part in sport. The Department of Health is leading on delivering the second half of the two million target by co-ordinating health-related activities.

For Sport England's purposes of increasing participation in sport by one million people, 'regular participation' is defined as "three sessions of moderate intensity sport each week" where a session lasts for at least 30 minutes. Progress towards this target is measured by Sport England's Active People Survey. The third survey, published in December 2009, found that:

- In 2008/09, 6.9 million adults participated in sport three times a week for 30 minutes at moderate intensity – an increase of 115,000 adult participants from 2007/08.
- Male participation is higher than female: 4.2 to 2.7 million. Male participation increased over the year while female participation fell.

LEGACY PROMISES

Five promises were made regarding the long-term benefits of the 2012 Olympic and Paralympic Games:

1. To make the UK a world-leading sporting nation
2. To transform the heart of East London
3. To inspire a generation of young people
4. To make the Olympic Park a blueprint for sustainable living
5. To demonstrate that the UK is a creative, inclusive and welcoming place to live in, to visit and for business.

- There was a large increase in non-white adult participants. Numbers rose by 16%, almost 100,000, to over 700,000. White adult participation increased slightly over the year.
- Sports participation among adults with a limiting disability or illness fell by 10% over the year.

One of the challenges for the future is therefore not just to raise the general level of participation, but to increase participation amongst those less likely to participate in sport: women and the disabled, for example. The barriers facing people in under-represented groups will also need to be addressed.

FREE SWIMMING

The Government's leading proposal for a community sports legacy has been a new

fund to encourage local authorities to open swimming pools free to the over-60 and under-16 age groups. The free swimming programme began in April 2009, with the latest figures showing that:

- 81% of local authorities have agreed to provide free swimming to the over-60s, with 61% agreeing to make it available to the under-16s
- More than 10 million free swims have taken place so far: 6.9 million by people aged under 16 and 3.5 million by those aged over 60.

However, a number of non-participating local authorities have claimed that the funding on offer does not cover the costs of administering the scheme, thereby having an impact on other services and possibly on council tax. The programme also hopes to encourage all local authorities to offer free swimming to everyone by 2012. Whether this is likely remains to be seen.

A LASTING LEGACY?

There is some debate about when to assess an Olympic legacy: a premature assessment based on incomplete evidence may overlook eventual success. As the Organising Committee of an Olympic Games (OCOG) disbands within two years of the Games ending, a full and balanced evaluation of each Games arguably cannot be carried out.

Despite the large claims that are often made about the social benefits of hosting major sporting events, there is a lack of rigorous post-event evaluation. In particular,

there is limited research on the impact of the Olympics on general levels of sporting participation. Analysis of sports participation in Australia between 1985 and 2002 suggests that in the year following the Sydney Games in 2000, seven Olympic sports experienced a small increase in participation while nine declined. There was a similar pattern for non-Olympic sports, with the largest increase in non-competitive walking. The most substantial sport-related impact of the Sydney Games was in fact an increase in *passive involvement* through live and televised viewing.

Other research has indicated that the 2002 Manchester Commonwealth Games made no measurable impact on immediate post-Games participation rates and that other major sporting events have had a limited 'trickle-down effect' on sports club membership.

It is also possible to challenge the various models of behaviour change underpinning claims that major sporting events result in increased participation. Some studies have, for example, questioned the 'role model' thesis, according to which people are inspired to take up sport after watching their heroes.

In a 2007 report, the Culture, Media and Sport Committee concluded that "no host country has yet been able to demonstrate a direct benefit from the Olympic Games in the form of a lasting increase in participation". Will the London Games be any different?

From the Human Rights Act to a Bill of Rights?

Alexander Horne and Lucinda Maer

Proposals for a British Bill of Rights have come from across the political spectrum. The various plans would have very different consequences

The Human Rights Act (HRA) was introduced in 1998 to “bring rights home”. Essentially, it allows UK nationals to rely on rights contained in the European Convention on Human Rights before the domestic courts.

The legislation has not been universally popular. Some have branded it a “criminals’ charter”, following suggestions that it had been abused by various litigants. In 2006 Tony Blair complained that a judgment about a group of Afghans who had hijacked a plane was an “abuse of common sense”. The judgment was later upheld on appeal.

Such cases have fed concern that the courts are becoming more “activist” and involved in dealing with “small p” political questions that would previously have been settled by politicians and administrators. Some political figures have criticised the way in which the courts have dealt with an increase in public law (judicial review) and human rights cases. There sometimes appears to be a tension between the principles of the supremacy of

Parliament and the rule of law, exacerbated by extensive commentary on the Act. This has resulted in friction in policy areas such as asylum, immigration and counter-terrorism.

Damaging myths about the HRA have taken root in the popular imagination

The Conservatives have further argued that the current legislation has created a culture of “risk aversion” among public authorities. In 2006 a Government-sponsored review of the operation of the Act stated that it had been bedevilled by misconceptions and had sometimes been “misapplied”. The Government also acknowledged that a series of damaging myths about the Act had taken root in the popular imagination.

TOWARDS A NEW BILL OF RIGHTS?

In 2007 the Labour Government began to consult on building on the Human Rights Act to create a Bill of Rights. Other political parties have also called for a Bill of Rights. There are consequently various models for such a document, each of which has a significantly different meaning.

BUILDING ON THE HUMAN RIGHTS ACT?

Some have suggested that wider economic, social and environmental rights could be added to a British Bill of Rights, though it may be that all concerned would prefer that decisions regarding taxation and resource

distribution remained matters for elected governments rather than the courts.

Labour mooted the possibility of introducing specific “duties” or “responsibilities” that would sit alongside the rights already guaranteed, such as the duty to obey the law and pay taxes, though, as some fundamental rights are absolute and not subject to “good behaviour”, it is not clear whether such responsibilities could be given legal effect in legislation.

REPLACING THE HUMAN RIGHTS ACT?

Some have argued that the HRA does little to protect historic constitutional rights and liberties, such as the right to trial by jury or free speech. The Conservatives have suggested a new Bill of Rights to replace the HRA. Exactly how this would operate in practice in relation to the European Convention on Human Rights is unclear, though the Conservatives have indicated that they would seek a greater national “margin of appreciation” in how the rights were applied in a domestic context.

While it seems unlikely that the UK would opt out of the European Convention on Human Rights, if the HRA were repealed and the Convention rights were no longer contained in UK law, aggrieved parties might once again have to take their case to the Strasbourg court for determination. Moreover, depending on the funding available (through legal aid or otherwise), parties might find it less easy to bring rights-related proceedings.

There are also certain devolution issues which would need to be overcome if the HRA were to be repealed. How would a new Bill apply

in Northern Ireland, which has been working towards its own rights framework? Would the Scotland Act 1998 need to be amended, as currently the Scottish Parliament cannot pass legislation which is incompatible with the HRA?

A NEW CONSTITUTIONAL FRAMEWORK?

A Bill of Rights might also be brought forward together with a new written constitution. This could entrench constitutional legislation and allow the courts to rule legislation unlawful. Gordon Brown raised the possibility that such a document might be published in time for the 800th anniversary of the Magna Carta in 2015. Creating such a new constitutional framework would need to be achieved with political consensus in order to be sustainable in the long term, but also perhaps with public involvement. One criticism of the HRA has been that the public has felt no ownership of the legislation. There have been suggestions for a “citizens’ convention” to formulate or debate proposals before they are put to the country in a referendum.

Commentators and Non-Governmental Organisations involved in the Bill of Rights debate (whatever their views of the 1998 Act) look upon it as an opportunity to gain public support for a new constitutional settlement. Most recognise that while the HRA may have had a substantial influence on UK law, it has not found popular support amongst the general public and has been subject to sustained criticism by parts of the press.

HUMAN RIGHTS AND PARLIAMENT

Ministers who bring primary legislation before the House of Commons are currently required to produce a “statement of compatibility” indicating whether or not the Bill is in conformity with the provisions of the European Convention on Human Rights.

Parliament’s Joint Committee on Human Rights also considers the human rights compatibility of legislation, although it does not have any right to veto it.

Surveillance in society

Grahame Danby

The effective and proportionate use of surveillance and state databases is a delicate balancing act

Richard Thomas, the former Information Commissioner, once famously remarked that the British people were in danger of “sleep walking into a surveillance society”. Many civil liberty groups would argue we have now woken up in one. Others might, pointedly, retort that as long as surveillance is deployed democratically by people always above reproach, if you have nothing to hide you should never have anything to fear. Surveillance, in its many forms, is undoubtedly an important tool in combating terrorism and serious crime.

PRIVACY AND PROPORTIONALITY

Privacy and proportionality are the praetorian guards that stand in the way of unfettered surveillance. Privacy can be important if your political beliefs or trade union activism don't enjoy the approval of a potential employer. Similarly your spent convictions or religious beliefs (or absence of them). You might think your health records or sexual life should not be public property, or that of the State. The *Data Protection Act* attaches the most careful attention to these kinds of “sensitive” personal data.

Terrorists, serious criminals and fraudsters clearly have something to hide. Few would want few stones unturned to bring such people to justice. But what about comparatively minor infringements: the risk-taker who bends the rules; the pensioner whose dog fouls the local park; the parents questionably claiming they live in the right education catchment area for their child? Where to draw the line? When to rein in the “dustbin stasi”?

REGULATING SURVEILLANCE

The *Regulation of Investigatory Powers Act 2000* (RIPA) controls, among other things, covert surveillance. Together with associated secondary legislation and codes of practice, it provides a framework designed to ensure that public authorities comply with the European Convention on Human Rights.

Could formalising surveillance powers lower the threshold for using them? How can proportionality be factored in reliably? Concerns that some local authorities have been misusing their investigatory powers have led to a recent tightening of the codes and authorisation procedures.

Local authorities are among the wide range of public authorities able to access communications data. This is data about a communication and not the actual content: for example a telephone number called but not the conversation itself. This kind of information has traditionally been kept by communications service providers for billing purposes. RIPA sets out the rules and reasons regarding access; the latter include crime detection. The range of data that must be retained has recently been increased to include the internet, thanks to regulations implementing the European *Data Retention Directive*.

While the data retention regulations implement in full the corresponding EU directive, the UK's Interception Modernisation Programme aims to keep pace with changing technologies to extend further the type of data that has to be retained, interactions in chat rooms and social networking sites included. Can communications data always be separated from its actual content? Could the nature of the

data or the methods of acquisition compromise this separation?

One proposal, subsequently abandoned on privacy grounds, was to store communications data in a centralised government database. An alternative would be to impose requirements on internet service providers to keep extra data in a way that would make it easily accessible – particularly by law enforcement agencies and the security services. A *Communications Data Bill*, mooted in the last Parliament, would be needed to implement this.

Crime fighting (or deterrence) is a major function of CCTV cameras – and the UK has more per head of population than any other country. They are the eyes of the police and security services. The ears are communications intercepts, such as telephone taps, governed under RIPA by a warrant system. Independent commissioners provide oversight and a tribunal serves as a focus for citizen concerns. Will RIPA safeguards retain their effectiveness in the necessarily secretive world of national and international surveillance?

A DATABASE STATE?

Sharing and comparing data between different databases can be a useful tool in the fight against terrorism and crime – fraud is a good example. It can also lead to more efficient “joined up” and citizen-friendly public services. With all this in mind, the last Parliament passed a range of data sharing measures.

Two databases have attracted much recent attention: the national DNA database and the databases associated with the introduction of identity cards. The former throws data

LEGISLATION SUMMARY

Human Rights Act 1998: A qualified right to privacy. Any intrusion should be proportionate.

Data Protection Act 1998: Disclosure and retention of personal data must be fair. Exemptions apply.

Regulation of Investigatory Powers Act 2000: An authorisation framework for various surveillance activities by specified public authorities.

retention into sharp focus. For how long should the DNA of innocent people be retained?

The *Identity Cards Act 2006* allows for the gradual introduction of ID cards by secondary legislation – and this has already begun, starting with some (non EEA) foreign nationals and (voluntarily) specified British citizens in certain parts of the country. However, the Conservatives and Liberal Democrats intend to cancel this process. The details of how this will be achieved are yet to be laid out.

Though the approach of the new Government appears to have settled the future of ID cards, the competing cases for and against large government databases remain. Large, shared repositories of personal information threaten civil liberties and can be enormously costly. On the other hand, they may facilitate more efficient and co-ordinated public services and offer national security and crime-prevention benefits. As technology continues to improve, this debate will undoubtedly rear its head in some form again.

Copyright and piracy

Grahame Danby

The passage of the Digital Economy Bill prior to dissolution highlighted some of the many ongoing issues of copyright

Millions of Britons break copyright law: beauticians and butchers playing the radio in their salons and shops; 'format-shifting' families copying newly purchased CDs onto their iPods; polemicists pasting internet images into their blogs; file-sharing teenagers downloading music videos without paying. It should come as no surprise that some find themselves at the sharp end of a crackdown: demands for the payment of licence fees or royalties, backed up by threats of civil action in the courts. Copyright sustains the creative industries.

PUBLIC PERFORMANCES AND FORMAT SHIFTING

Collecting societies that represent music copyright holders have been keen, some would say too keen, to remind small businesses that *Workers' Playtime* comes at a price. Could they do more to simplify the licensing system with more flexibility over tariffs? There is recognition that some sectors, such as voluntary organisations, have a case for special treatment.

Millions of Britons break copyright law, but much of this is tolerated

Format shifting for private use, while illegal, is largely tolerated in practice. People have been doing it for years; think of copying gramophone records on to blank audio-cassettes, for example. The Government's Intellectual Property Office has been consulting on how a limited exemption for private format shifting might be accommodated. This follows

on from one of many recommendations made by the Gowers review of intellectual property, commissioned by HM Treasury, which reported in December 2006.

ORPHAN WORKS

Gowers also made recommendations on 'orphan works', particularly with respect to introducing a regulated licensing scheme for their use. A work is an orphan if the owner of its copyright cannot be found. Some works, notably photographs on the internet, can sometimes become orphaned too easily for comfort – if you are a photographer hoping to gain reward for the exploitation of your creation. And should you come forward there is no guarantee that the funds set aside on your behalf by a collecting society would be enough. Too many photographers want to set their own price. To the chagrin of museums and other potential users, a licensing scheme proposed in the recent *Digital Economy Bill* was dropped: a victim of the wash-up process at the end of the last Parliament.

Extended licensing schemes and orphan works will not leave the political agenda. The European Commission is looking into this; national copyright laws cannot escape international influences.

INTERNET PIRACY

By far the most controversial clauses of the *Digital Economy Bill* survived wash-up. Measures to tackle online copyright infringement, which were much debated and amended in the House of Lords, made it

INTERNET COPYRIGHT INFRINGEMENT

- Copyright holders estimate that 6.5 million people in the UK illegally file share
- Illegal downloading costs the creative industries around £400 million per year

into the Statute Book. The *Digital Economy Act 2010* provides for a two-stage attack on internet piracy: a system of warning letters to begin with and, if that does not work, "technical measures" to limit, or even suspend, internet access. However, the latter could not be introduced without giving the warning letters, backed up by court action, a chance to work. A code of practice will be drawn up which will include safeguards for users. Could this lead to copyright enforcement that is actually *less* effective than informal arrangements between internet service providers and rights holders?

Both Houses will have the opportunity to vote before internet access suspension measures can be introduced

At least a year will have to pass before the Secretary of State is allowed to introduce secondary legislation to bring in these technical measures. And that would be subject to a 'super-affirmative' level of parliamentary scrutiny – though still no match for the passage of primary legislation. Both Houses of Parliament would have to vote to approve

the regulations *and* there would be a chance for extra scrutiny and amendment beforehand. Another code of practice would apply, giving users extra rights of appeal before their internet access could be limited.

Ofcom would have oversight of the online copyright enforcement system – a significant addition to the responsibilities of a media regulator that has hitherto kept clear of the internet.

Though dubbed by Government a tool of last resort, the anticipation of internet disconnection alarms many. Critics point to the fact that whole households could be punished for the transgressions of a single individual sharing the same internet account. The situation is potentially even more acute in the public wi-fi systems provided by libraries and small businesses such as restaurants and bars. Could small businesses withdraw from wi-fi if new regulations are brought in under the *Digital Economy Act 2010*? Might mere anticipation of any future regulations be enough?

The new Parliament can decide both how far to take forward provisions in the *Digital Economy Act* and whether extended licensing can be introduced in ways that meet both the needs of consumers and rights holders. To placate the latter, it will have to be done in a way that does not make copyright a right to copy.

Reviewing counter-terrorism legislation

Alexander Horne

There is a case for reconsidering and consolidating the counter-terrorism legislation passed in recent years

The *Terrorism Act 2000* was designed as a consolidating provision, drawing together previous anti-terror laws into a single code that would not require renewal or re-enactment (save for one part that related to Northern Ireland). Since the passage of that Act, the deadly consequences of terrorism have been dramatically highlighted in the West by the attacks of September 11, the Madrid bombings, the 7/7 bombings in London and a host of failed domestic and international plots.

These incidents appear to have acted as a catalyst for further terrorism legislation. Though there have been “only” 59 terrorism-related deaths in Great Britain since 2001, the threat should not be underestimated; the

authorities have been able to prevent a series of plots, and atrocities have been avoided through the incompetence of the terrorists themselves.

The 2000 Act has been heavily amended by subsequent Acts. While this is a common legislative practice, it can make parts of the Act difficult to follow. Furthermore, there have been successful legal challenges to powers introduced by the 2000 Act (and indeed subsequent Acts). Calls for a consolidation of the legislation have been heard for some time and now seems an auspicious time to question whether the legislation is, in the modern parlance, still “fit for purpose”. A number of issues may arise in the new Parliament. These include:

- Consideration of the control order regime established under the *Prevention of Terrorism Act 2005*. This is subject to annual renewal, with a vote due in the spring of 2011. The regime has been subject to successful legal challenge in the courts and further cases are still ongoing.
- Extended pre-charge detention. When the legislation was first enacted, section 41 of the 2000 Act provided for 7 days’ pre-charge detention. This was amended to 14 days in 2003 and 28 days in 2006. Further attempts by the previous Government to extend the length of pre-charge detention were defeated. The 28 day period introduced by the 2006 Act is subject to the further safeguard of only being granted for one year (renewable). In 2008/09, no terrorism suspects were detained for longer than 14 days before action was taken.

- In response to a recent judgment by the Supreme Court in *Her Majesty’s Treasury v Ahmed* the previous Government rushed emergency legislation through Parliament, namely the *Terrorist Asset Freezing (Temporary Provisions) Act 2010*. This legislation ensures the temporary validity of certain Orders in Council imposing financial restrictions on persons suspected of involvement in terrorist activity. It is only effective until December 2010 and, accordingly, Parliament will have to consider further measures in due course to ensure the UK meets its international obligations in this area.

Concerns have also been expressed about a number of other issues, such as: the definition of terrorism; the stop and search powers allowed under s 44 of the *Terrorism Act 2000* (the use of which was subject to a successful legal challenge in the European Court of Human Rights in *Gillan and Quinton v UK*, 2010); and the ability of members of the public to take photographs in public places. One change, made by the *Counter-Terrorism Act 2008*, restricts the ability of people to photograph the police. While the legislation does not strictly prohibit the practice, it made eliciting, publishing or communicating information about the police a potential offence, unless the person concerned had a “reasonable excuse”. There has been some disquiet about this power, particularly following the death of Ian Tomlinson at the April 2009 G20 protest.

There is always likely to be some conflict between counter-terrorism legislation and human rights: by its very nature, the

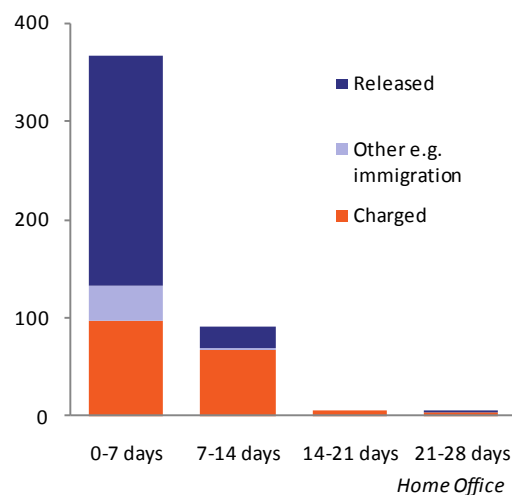
legislation restricts freedom, rights and in some cases, liberty. It is a long time since Lord Atkinson was the lone voice, arguing that “amidst the clash of arms, the laws are not silent”. The Government is now expected to comply with the rule of law, even in times of war.

With the threat level unlikely to diminish, it becomes harder to justify temporary measures

The Home Affairs Select Committee has previously warned against the tendency to rush through terrorism legislation, noting that in some cases such legislation proved counter-productive and legislation that was supposed to be temporary often turned out to be permanent. The current threat level seems unlikely to diminish any time soon and, accordingly, it becomes harder to justify temporary or “exceptional” measures. The Home Office has previously discussed the idea of re-consolidating the terror laws and, given the current difficulties, such a move is likely to be welcomed. However, it would be naive to think that any single piece of legislation could address every possible terror threat, and further controversy is likely in this field.

Few people have been detained without charge for 14 days plus

Persons detained by days from arrest under s41 of Terrorism Act 2000, 2006/07 - 2008/09



Use of force against intruders

Sally Almandras

Do “have a go heroes” need greater protection from criminal prosecution?

There has been considerable media coverage in recent years of householders who have been prosecuted after taking action against intruders. In 2000 Tony Martin was convicted of murder (later reduced to manslaughter) after shooting a burglar. In 2009 fresh attention was drawn to the issue when Munir Hussain was convicted of causing grievous bodily harm after chasing a group of intruders from his home and beating one of them with a cricket bat. Cases such as these, in particular the perceived treatment of victims as criminals, cause public outcry and attract a great deal of media attention. Some have therefore called for changes to the law of self-defence so as to give householders greater protection from criminal prosecution in these circumstances. *But would such changes really improve public perceptions?*

The law currently allows people to use “reasonable force” to protect themselves, others or property, to carry out an arrest or to prevent crime. Guidance from the Crown Prosecution Service (CPS) says that a householder who does only what he “honestly and instinctively believes is necessary in the heat of the moment” is likely to be acting lawfully and in self-defence. If, however, a householder finds himself in the dock, the jury must consider the following questions:

- Was the use of force **necessary**?
- If so, was the particular force used **reasonable**?

The Conservatives have pledged to give householders greater legal protection if they have to defend themselves against intruders in their homes. They argue that the concept of “reasonable force” is unclear and that prosecutions should only be brought where the actions involved were “grossly disproportionate”. An ICM poll for the Sunday Telegraph, which is running a campaign to give householders greater rights to defend themselves, suggested that 79 per cent of all voters support such a change.

Would the press and public be placated by a change in the law?

However, both Labour and the Liberal Democrats consider that the current law works well and that adequate protection is provided by “the exercise of prosecutorial discretion and the good sense of the jury”. Paul Mendelle QC, chairman of the Criminal Bar Association, has expressed concerns that the Conservatives’ proposed change could encourage vigilantism and would effectively

SELF-DEFENCE IN IRELAND

Ireland is currently considering amendments to its self-defence law. The Law Reform Commission has suggested that the current “reasonableness” test be replaced with a “minimum threshold” test, and that a householder should be under no duty to retreat from an attack within their home, even where they could do so with complete safety.

sanction extrajudicial punishment. The current law is also supported by Michael Wolkind QC, who acted as defence counsel for both Tony Martin and Munir Hussain, and Keir Starmer, Director of Public Prosecutions. Mr Starmer said that there were “many cases, some involving death, where no prosecutions are brought”.

Contrary to popular belief, Munir Hussain did not actually raise self-defence at his trial: his (unsuccessful) defence was instead that the intruder’s injuries had not been inflicted by him at all but by a group of youths who had come to his aid. However, even if self-defence *had* been raised, it is arguable that even under the Conservatives’ “grossly disproportionate” test, Hussain would still have been prosecuted and convicted.

The perceived injustice for many was not simply his prosecution, but the fact that he initially received a custodial sentence, whereas the intruder he caught did not: despite having some 50 previous convictions, he was found unfit to plead on the basis of his injuries and given a supervision order. His accomplices are still at large.

Given the rarity and nature of prosecutions against householders who attack intruders, is it right to assume that public disquiet regarding the treatment of “have a go heroes” would actually be addressed by self-defence reforms? Or does the real problem lie with the policing and sentencing response to such cases? *If these issues are left unaddressed, there may be a limit to the impact any self-defence reforms made in isolation would have.*

HOW MANY CASES?

An “informal trawl” by the CPS suggested that between 1990 and 2005 there were only 11 prosecutions of people who had attacked intruders in houses, commercial premises or private land. Only 7 of those appeared to have resulted from domestic burglaries.

Examples of prosecutions included a case where a man lay in wait for a burglar on commercial premises, caught him, beat him, threw him into a pit and set him alight.

Examples of decisions not to prosecute included a case where a woman took a baseball bat off a burglar and hit him over the head, fracturing his skull.

Managed migration: a work in progress?

Melanie Gower

Reforms initiated during the last Parliament aim to deliver a 'fit for purpose' immigration system – but consequences of past failings still need to be addressed

A series of media 'scandals' have highlighted disconnects between immigration policy aims and frontline realities. The challenge for the new Government is proving to a sceptical public that it has the ability to deliver an efficient system, which effectively harnesses the benefits of immigration whilst minimising its costs.

ECONOMIC MIGRATION: GETTING THE BALANCE RIGHT

The points-based system for economic and student immigration was introduced in 2008. Recent statistics suggest that the changing economic conditions are, to a limited extent, acting as a natural curb on levels of immigration. Nevertheless, in spite of the UK's ageing population and skilled labour shortages, the recession has accentuated concerns about the scale of economic immigration. The current system has been led by employer demand – that is to say, if an approved employer demonstrates that they have been unable to recruit from within the resident labour market, or the job is on the official shortage occupation list, permission to sponsor a suitably qualified foreign worker is likely to be given. There have been no overall controls over how many foreign workers are admitted to the UK or where they settle.

The regional points-based system advocated by the Liberal Democrats, and the Conservatives' proposal for an annual limit on immigration, both seek to take greater account of the wider impacts of immigration. A problem identified by commentators such as the IPPR is that the types of immigration

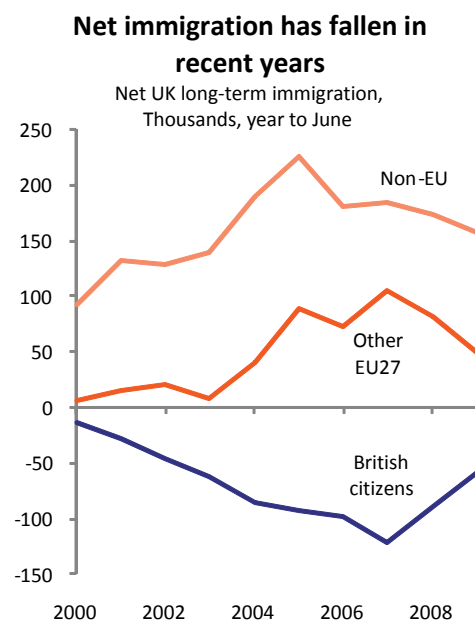
easiest to control (such as non-EU skilled workers and students) are the categories which generate the most tangible benefits to the UK economy. Given that immigrants generally fill jobs that the domestic labour force cannot or will not do, if the UK wishes to become less reliant on migrant labour, much more will have to be done to align immigration policy with skills, education and welfare strategies.

COUNTING PEOPLE IN, COUNTING PEOPLE OUT ... AND WHAT TO DO WITH THOSE WHO STAY

The e-Borders programme is gradually reintroducing exit controls at UK borders, a measure supported by all three main political parties. Once this is fully operational in 2014, every traveller will be counted in and out of the country.

What should be done about the hundreds of thousands of irregular migrants?

However, the controversial issue of what to do about the number of irregular migrants will remain. In 2009 research for the Mayor of London – who supports a regularisation scheme – suggested that there could be in the region of 618,000 irregular residents in the UK. MigrationWatch has suggested that the number could now be over one million. Some commentators argue that the practical difficulties, costs and consequences of undertaking enforced removals on such a large scale make it an unfeasible long-term



solution. On the other hand, Labour and the Conservatives reject Liberal Democrat calls for an earned regularisation scheme (widely perceived as an 'amnesty'). They argue it would act as an incentive for further illegal immigration and reward bad behaviour. However, both parties initiated 'backlog clearing' programmes and concessions for long-term irregular migrants when previously in Government, in spite of the conventional wisdom that hostile public opinion makes such action a political no-go area.

LESS LEGISLATION, BETTER ADMINISTRATION

Perhaps the most obvious lesson to learn from the past decade is that legislative

activity is an inadequate response to underlying administrative and management problems. Nine pieces of primary legislation on immigration and asylum have been passed since 1997. Yet concerns have consistently been raised by the Home Affairs Committee and others about the UK Border Agency's failure to make timely, good-quality decisions. There is now widespread recognition that immigration law is overly complex. The new Government may wish to revive the *draft Immigration Bill*, which was published in November 2009 and aimed to replace all existing pieces of legislation with a single statute.

Significant progress has certainly been made in overhauling processes and culture since May 2006, when the then Home Secretary famously described the immigration system as "not fit for purpose". But work to clear the backlog of cases that built up under the old system is not due to be finished until summer 2011, and a recent inspection report found evidence of new asylum delays already accumulating. As we enter a period of severe constraints on public spending, will the system be given the resources and stability needed to prevent new backlogs in the future?

Should we build more prisons?

Pat Strickland

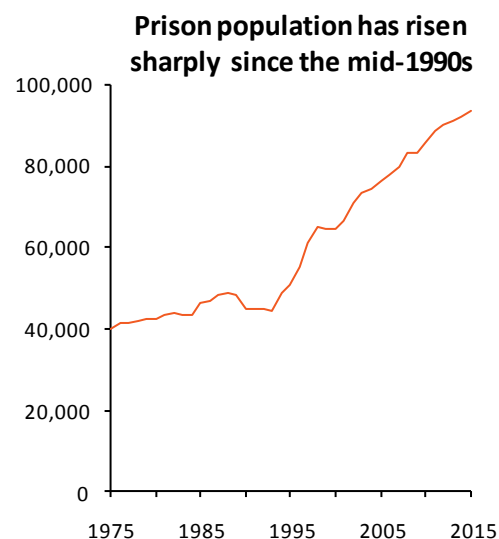
Does prison work and can we afford it?

The prison population has been rising, with an especially sharp increase since the mid 1990s. The Ministry of Justice attributes this to:

- courts sentencing more offenders to prison each year between 1995 and 2002;
- offenders staying in prison for longer, because of longer sentences and a decline in parole rates; and
- tougher enforcement following release, leading to more recalls for longer periods.

Some argue that increased crime levels in the 1980s and high profile cases, such as James Bulger's murder in 1993, fuelled political competition over sentencing. In 1993 Tony Blair promised the Labour party conference that he would be "tough on crime and tough on the causes of crime", while Michael Howard told the Conservative party conference that "prison works". Certainly, there has been a historically large amount of criminal justice legislation since 1994. Some also suggest that the criminal justice system – in the parole process, for example – has become more risk-averse.

The Labour Government aimed to achieve an overall net capacity of just over 96,000 by 2014, mainly through two major prison building programmes. Its Core Capacity Programme was to provide 12,500 places by 2012, with capital construction costs of around £2 billion and additional annual running costs of around £480 million. A further 7,500 places were planned through the New Prisons Programme (alongside the



closure of 5,500 inefficient places). Originally three "Titan prisons" were to provide those 7,500 places. Following consultation, five large prisons each holding 1,500 were proposed, with total capital costs of around £1.2 billion. A maintenance backlog for the existing estate may cost a further £1.2 billion.

All three main political parties have proposals to reduce reoffending and divert those for whom prison is inappropriate. Of these, only the Liberal Democrats argue that they would be able to cancel the prison building programme as a consequence.

For some, the key issue is how to keep pace effectively with the rising population; overcrowding can make rehabilitation more difficult as prisoners have reduced access to purposeful activity and are moved around more frequently. Others see the fundamental

KEY STATISTICS

- Prison population in England and Wales reached a record level of almost 85,000 in April 2010, an increase of 90% since 1993
- The prison estate has been overcrowded since 1994
- In 2008/09 it cost an average of £39,600 to keep a prisoner in prison for a year
- The UK has the second highest incarceration rate in Western Europe
- Approximately one-half of adult prisoners reoffend within one year of release
- Approximately three-quarters of juvenile prisoners reoffend within one year of release

problem as over-reliance on imprisonment, drawing resources away from preventive and rehabilitative work.

So is prison good value for money? The purposes of imprisonment are often given as incapacitation, punishment, retribution, deterrence and rehabilitation. The "prison works" argument usually cites incapacitation: prisoners cannot normally commit offences whilst incarcerated. Others, citing high rates of re-offending, argue that prison is expensive and ineffective.

Several substantial reports have recently examined these issues: see, for example, work by the Justice Committee, the

Commission on English Prisons Today (whose president was Cherie Booth), the Prison Reform Working Group (chaired by Jonathan Aitken), the Conservative Party and the National Audit Office. Questions raised include:

- Could we get better value for money by "reinvesting" some of the money spent on prisons, either in other parts of the criminal justice system (such as community sentences) or on activities that prevent crime in the first place?
- Should we have smaller local prisons, which may work better by rehabilitating offenders closer to home, or larger prisons providing economies of scale?
- How can we make justice more responsive locally?
- Could restorative justice reduce the need for imprisonment?
- Should more be done to rehabilitate prisoners serving less than twelve months, 60% of whom are reconvicted within a year but who often have no access to work or courses?

So, might the fiscal crisis prompt the kind of reassessment which prison reform advocates would welcome? Possibly. However, some commentators fear that the need to constrain costs will damage efforts to address the causes of reoffending, thus creating further pressure on prison places.

Balancing the UK energy supply

Donna Gore and Elena Ares

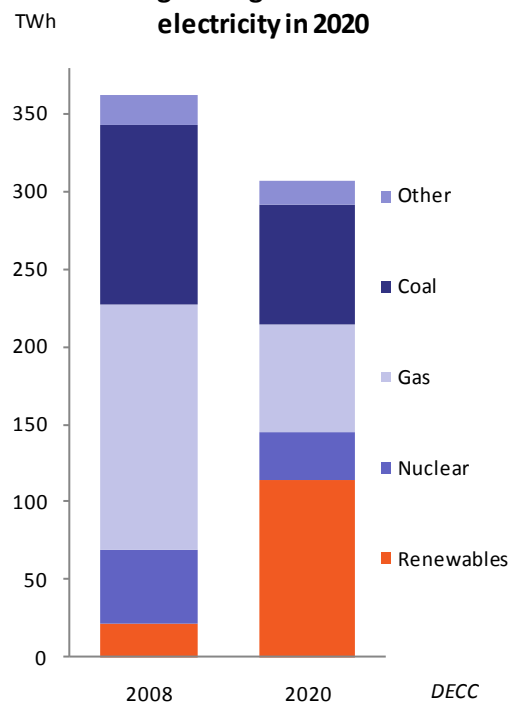
The looming energy gap is on track to be filled but only if policy is implemented effectively and without delay

The UK has entered a period of declining output of North Sea oil and gas. The energy mix in 2020 is still likely to be dominated by these two sources. There will also be a substantial loss of generating capacity during the next decade as coal-fired capacity closes around 2015, following the emissions standards set by the Large Combustion Plant Directive, and most nuclear power stations reach the end of their productive lives. This is coupled with the move to a low-carbon economy, and access to energy supplies being used by some countries as a political tool.

To avoid future energy shortfalls the previous Government's policy aimed to develop supplies that are secure, diverse, affordable and low-carbon. These include:

- Renewable generation
- Nuclear power
- Coal-fired generation with carbon capture and storage
- Energy efficiency programmes
- Pipelines to import gas from Norway and continental Europe, terminals for imported liquid natural gas and further gas storage.
- Infrastructure improvements including major new electricity lines and a smart grid

Renewables would need to be the largest single source of UK electricity in 2020



Where will funding for major new electricity generation be found?

The principal issue that needs to be addressed is securing major funding to enable the development of new generation. The current liberalised market is unlikely to deliver the new electricity generating capacity and infrastructure that the UK urgently requires by the middle of the decade. Private companies are reluctant to make major investments in generation and transmission without greater certainty about the payback. Uncertainty about the planning regime is also deterring companies because of the possibility of costly delays.

ARE RENEWABLE TARGETS ACHIEVABLE?

Renewables in the UK are not yet a significant source of energy. As of 2008 renewables constituted 2.25% of energy sources. The UK has an EU target for renewable energy of 15% by 2020 to fit within the EU's overall target of 20%. The UK Renewable Strategy set out how this would be met: 30% of electricity; 12% of heat and 10% of transport demand will be renewable by 2020. The Strategy's analysis concluded that each sector will have to deliver close to its maximum potential to achieve this. The new Government has stated it will seek to increase the target for energy from renewable sources.

NUCLEAR POWER – FILLING THE ENERGY GAP?

New nuclear build is viewed by some as the principal way of securing a substantial new base-load, low-carbon electricity supply for the UK. The alternative is gas-fired generation, although this does produce more carbon and there are possible concerns over energy insecurity as much of it would have to be imported.

Government policy in the early 2000s to replace decommissioned nuclear generation with renewable electricity proved not to be viable and the decision to facilitate new nuclear build by private companies was taken, but not until 2007. The Labour Government announced 10 sites which are potentially suitable for new nuclear stations up to 2022. Most are current sites. It also published a new nuclear: indicative timeline.

RENEWABLE ENERGY INCENTIVES

- Renewable electricity supply is incentivised through the Renewables Obligation, which has been in place since 2002.
- Other countries such as Germany and Spain have been successful at encouraging renewable electricity through the use of feed-in tariffs. This approach has been adopted in the UK for generators under 5 Megawatts.
- A Renewable Heat Incentive is also proposed.
- Use of a percentage of biofuels in fossil fuels is required through the Renewable Transport Fuels Obligation.

Due to long lead-times, the first new nuclear station would not be expected to be operational until 2017, assuming no further delays. This is likely to be at Hinkley Point in Somerset.

Stakeholders claim that the current liberalised framework will not provide sufficient incentive to build new nuclear stations. It is not yet clear whether the new Government's position on nuclear power would affect this.

Many believe that new nuclear build should not proceed unless a disposal route and location for higher level radioactive waste is fully identified. The Labour Government invited communities to express an interest in hosting a deep underground repository. To date, only councils in Cumbria, home to Sellafield, have registered an interest.

Carbon capture and storage

Louise Smith

CCS potentially offers a revival of coal power with dramatically reduced carbon emissions. But much is unproven

Carbon capture and storage (CCS) is a new, developing technology that would capture the carbon dioxide (CO₂) from fossil fuels either before, during or after combustion in energy generation. The CO₂ would then be transported and stored long-term in underground geological formations, such as saline aquifers and depleted oil and gas reservoirs.

WHY IS CCS NEEDED?

Despite legally binding targets to reduce greenhouse gas emissions, 91.5% of UK energy supply in 2008 was met by use of carbon-intensive fossil fuels.

About a third of UK electricity is generated from coal, but it emits more CO₂ per unit of electricity than all other forms of generation: roughly twice that of an equivalent gas-powered station. Tackling emissions from coal is therefore seen as a priority for the UK, and also in India and China, where coal consumption is increasing rapidly.

COAL

- The UK produced around 18 million tonnes of coal in 2009, compared with 48 million tonnes in 1997 and 122 million tonnes in 1979.
- Most of the UK's coal is now imported, principally from Russia, South Africa and Columbia.
- The IEA predicts that coal demand will nearly double in China and more than double in India by 2030.

Approximately 90% of the CO₂ produced by a coal fired power plant could be captured with CCS. Potentially, CCS could help to make up to 20% of the global cuts in emissions needed by 2050.

CCS could also contribute to a diverse energy mix and create economic development opportunities. The Government estimates the first-mover advantage gained from demonstrating CCS technology could bring the UK business worth about £3–6.5 billion a year by 2030. The industry could also sustain up to 60,000 jobs in Britain by 2030.

WHAT ARE THE CONCERNS?

- Capture: the technology is not yet proven on a large scale and there are no commercial scale integrated CCS power plants.
- Transport: onshore CO₂ pipeline transport is proven, but there is limited experience of offshore transportation. A network of pipes at a scale equivalent to the North Sea oil and gas industry to transport the CO₂ may be required for CCS to work.
- Storage: techniques for secure storage of CO₂ and to remediate serious leaks are still being developed. 7 to 10Gt of CO₂ could be stored on the UK Continental Shelf, but such capacity will need to be filled annually for CCS to contribute to 20% global cuts in emissions. Estimates of the UK's saline aquifer capacity are varied, ranging from 20 to over 200Gt.
- Cost: capturing CO₂ reduces the efficiency of power plants by approximately 20–25%. The cost of CCS and its associated

infrastructure is uncertain. Industry requires significant financial support or some other form of carbon reduction incentive to make the technology commercially viable.

- Reliance on fossil fuels: support for CCS could deter investment in other low carbon energy technologies. If CCS turns out not to be viable, or takes too long to develop, it may inadvertently lead to unabated coal-fired power stations in the longer-term.

WHAT'S BEING DONE TO SUPPORT CCS?

Two projects are bidding in a competition to receive Government finance for a CCS post-combustion demonstration project: the E.on consortium at Kingsnorth in Kent and the Scottish Power consortium at Longannet in Fife. Completion is expected in 4–6 years' time. A process to select a further three demonstration projects is due to begin later this year and finish in 2011. Other developed countries also have demonstration projects planned.

The *Energy Act 2010* provides for a levy on electricity supplies and suppliers to support CCS demonstration, but further Regulations will be needed. It could raise £9.5 billion over the next two decades and add 2–3% on household electricity bills by 2020.

Under Labour Government policy, any proposals for new combustion-powered generating plants over 300 MW of electricity would have had to demonstrate carbon capture readiness. No new coal plant would have been permitted unless at least 300 MW of the proposed capacity had CCS installed. Whilst the new Government hasn't yet set out this level of detail, it supports CCS and has said that it will continue with

the planned public sector investment in CCS technology for four coal-fired power stations.

THE FUTURE

Broad commercial deployment of CCS is envisaged in the mid 2020s.

Exactly how will CCS be supported? Energy companies have called for urgent Government action to set out the exact legal, regulatory and financial frameworks to enable CCS to become viable.

Do we need an Emissions Performance Standard to limit the amount of CO₂ that all power stations could generate? The Conservatives and Liberal Democrats support an EPS, saying it would provide certainty to investors in clean energy. Labour called an EPS "premature", arguing it could deter investment in new coal, given that CCS is still not yet commercially proven.

Does our planning regime allow for CCS in practice? The energy industry argues that it is not possible to conduct a meaningful CCS readiness assessment given the early stage of the technology. It seeks further guidance on how planning bodies will determine such applications.

CCS could be the invention of the century and the UK could benefit from first-mover advantage. It has been broadly welcomed by industry and the three main political parties alike. However, its future is far from assured. There may be danger in putting all our eggs into one unproven basket and it may not work at all without bold support from Government.

Energy price rises and fuel poverty

Paul Bolton

With no end to high prices in sight, can anything be done to soften their impact?

Prices of electricity and gas have increased for most of the last decade, road fuel for most of the past two decades. Price rises have impacts on industry, economic growth and inflation. Millions more households are in fuel poverty and spending on heating, power and motoring has increased by billions of pounds. There is little prospect of a sustained reversal in these trends. It is more likely that price increases will continue into the medium term at least.

The long term reductions in domestic gas and electricity prices to the early part of this century were in part due to the impact of liberalisation and competition in these sectors. These cuts were rapidly reversed in the period from late 2005. Combined gas and electricity bills were typically around £1,200 in 2009; a 30% real increase in five years. The cost of heating with oil or LPG is more expensive than gas. Road fuel prices have been more volatile, but the long term trend has been consistently upwards, with duty increases the main cause in the 1990s and oil prices dominating since then.

Households spend £63 billion a year at present on heating, power and transport; just

over 7% of all spending. The cash total has more than doubled over the last 10 years. Energy price rises have been proportionately higher for industry and have direct impacts on costs and competitiveness, especially for transport companies and energy intensive industries.

There are many reasons for these increases - declining UK output, increased reliance on international markets, increased global demand, links between oil and gas markets, actions of some supplying countries, taxation and policies aimed at cutting carbon emissions.

FUEL POVERTY

Higher fuel prices have led to fuel poverty doubling between 2004 and 2007. Further increases are expected which could mean around one quarter of all households (6 million) in fuel poverty in 2009 - back to mid-1990s levels.

The Government and devolved administrations have targets to eradicate fuel poverty among vulnerable households by

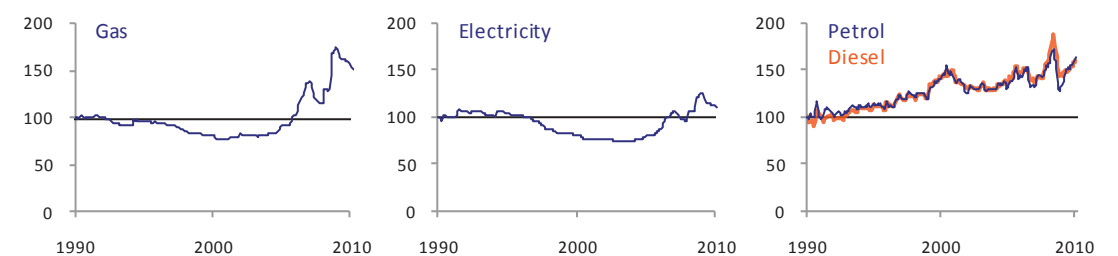
Downward trend in fuel poverty reversed since 2003/04

UK households in fuel poverty, millions

	1996	1998	2001	2002	2003	2004	2005	2006	2007
Vulnerable	5.0	3.5	2.0	1.8	1.5	1.5	2.0	2.8	3.3
Total	6.5	4.8	2.5	2.3	2.0	2.0	2.5	3.5	4.0

DECC

Indices of real domestic fuel price levels



2010 and 'as far as reasonably practicable' no household should be in fuel poverty by 2016 (2018 in Wales). The 2010 target is not expected to be met and the 2016/18 targets will be very challenging.

The Government spent more than £20 billion on measures to reduce fuel poverty over the period 2000-08. The largest elements were Winter Fuel Payments, Decent Homes and Warm Front. Spending on these measures is planned to be almost £11 billion in 2008-11. Energy companies are expected to spend £3.9 billion over these years on energy efficiency and social assistance for households.

FUEL POVERTY

A household is said to be in fuel poverty if it needs to spend more than 10% of its income on fuel to maintain a satisfactory heating regime. Fuel poverty is largely down to three factors – income, energy prices and energy efficiency.

The era of cheap energy is over. Price rises are likely to continue into the medium term at least – oil prices are projected to remain high or increase as world demand recovers post-economic crisis, impacts of temporary supply cuts are magnified in a 'tight' market, the fuel duty escalator has been re-introduced, energy companies need to invest very large sums in the network, a power supply squeeze is expected before the end of the decade and costs of measures to cut carbon emissions are set to increase. Government action can help to diversify and secure supply but can only have a minor impact on world prices. This leaves energy efficiency as the major policy area which can reduce energy bills and fuel poverty.

Trading carbon

Elena Ares

The EU ETS has shown carbon trading can contribute to emission cuts but has yet to deliver investment in low-carbon technologies

The EU Emissions Trading Scheme (EU ETS) is a mandatory cap-and-trade scheme for carbon dioxide, which is central to the EU's climate change target of reducing emissions by 20% by 2020. Though proposals for schemes in the US and Australia have run into difficulties, there remains the real possibility of an eventual global cap-and-trade system. Such a system would in all likelihood play a central role in reducing global emissions up to 2050. The question is: would it be effective at delivering the real and stringent cuts needed to limit climate change to safe levels?

A SUCCESSFUL SCHEME AND A SUCCESSFUL MARKET

European companies are complying with the scheme's monitoring and reporting requirements. The emerging market in carbon has also functioned well despite a collapse in the price for Phase I allowances due to over-allocation. Point Carbon has predicted that in 2010 the EU ETS market will be trading around 5.4 billion tonnes of carbon dioxide equivalent with a value of €95 billion. This comprises about 64% of the global market.

REAL EMISSIONS REDUCTIONS?

Caps have been met so far but this does not necessarily translate into real cuts in emissions. For example, in Phase I there was a reduction of 4% compared to business-as-usual projections, but this was an actual increase in emissions of 38MtCO₂. Carbon leakage is also an issue if companies move abroad to avoid caps, although free allocation

THE EU ETS

The EU ETS sets a decreasing cap for emissions from energy intensive sectors, and allocates or auctions emissions allowances (EUAs) which can be traded on the open market. It is currently in Phase II, which imposes reductions of 6.8% compared to 2005 emissions. Phase III will run from 2013 to 2020, when over half of allowances will be auctioned, and will set an overall reduction in emissions of 1.74% per year compared to Phase II levels. This will represent a 21% reduction by 2020 in emissions for all sectors covered compared to 2005 levels.

of EUAs to at-risk sectors is being used to counteract this.

Furthermore, emitters can buy international credits (CERs) created through the Kyoto Protocol to meet up to 50% of their cap, although no country has allowed this proportion in Phase II and the UK has set a limit of 8%. The result is that actual emissions reductions within the EU are lower than those reported as part of the scheme, although in 2008 CERs were only 3.9% of those surrendered. The use of CERs has been criticised as it discourages cuts in emissions within the EU. In some cases their quality (in guaranteeing real and additional cuts in emissions) has also been questioned. This is an issue in the context of a global market: how to ensure that all allowances, wherever created, have equal carbon value?

HAS THE EU ETS DRIVEN INVESTMENT IN LOW-CARBON TECHNOLOGIES?

The answer is almost certainly not. The consensus is that an allowance price of at least €30 a tonne is needed to drive investment. The price reached €29 in 2008 but fell in the second half of 2008, mirroring oil prices, and is now around €15. The global fiscal crisis has also resulted in a reduction in emissions within the EU, leading to a surplus in the credits allocated for Phase II. These are bankable towards Phase III and will contribute to lower long-term carbon prices. As a result the Committee on Climate Change has revised down its 2020 forecast price from €56 to €22. This is much lower than the €100 a tonne Sir David King suggested is needed to decarbonise the economy.

A FLOOR PRICE FOR CARBON

The Labour Government's view was that the carbon price is irrelevant, as the important factor is achieving the emission reductions imposed by the caps. However, it did concede that the current price is too low to drive investment. Arguably, the need for a floor price would be removed if the cap on emissions was stringent enough to keep prices high and more stable, particularly if combined with a minimum price for auctioned allowances.

Other options to intervene in the market could involve either:

- A guaranteed floor price for carbon, although the issue is how it would be financed. This is the approach supported by the new Government, together with

a move towards the full auctioning of permits.

- Combining the scheme with a carbon tax that would kick in if prices fell too low. An EU-wide carbon tax has not been a popular idea in the past but it has been mooted again recently.

FUTURE OUTLOOK

Before the fiscal crisis and the difficulties in the US over their proposed climate bill, it was generally thought that an increase in the global coverage of cap-and-trade, through the linking of proposed schemes, was only a matter of time. Have the global recession and a lack of confidence in the ability of financial markets to deliver desired outcomes, combined with the failure to reach agreement at Copenhagen, made this - in the short term at least - an unrealistic expectation?

Strategic transport

Louise Butcher

The coalition Government favours high-speed rail and opposes Heathrow expansion – but many questions remain

There is a view in transport policy circles that high-speed rail is an idea whose time has come... of course it came a lot earlier in the Far East and continental Europe but it is only now that the UK has caught the high-speed policy train. As a new high-speed link between London and the north of England (and eventually Scotland) looks increasingly likely, domestic short-haul flights are falling increasingly out of favour amongst policy makers.

There is an expectation amongst many that high-speed rail would be a viable substitute for expanding London Heathrow Airport – though there is no consensus on this. Whether this ends up being an either/or question is almost certain to be decided in this Parliament: the Conservative-Liberal Democrat Government will have to take a decision on whether to put forward legislation for a high-speed rail line and BAA, the owners of Heathrow, will make a decision on whether to submit a planning application for a new third runway and a sixth terminal. The Conservatives also indicated before the election that they would reverse the changes to planning law introduced by Labour and return the final say on Heathrow to the Secretary of State.

While the Labour Government wanted to see an expanded Heathrow and a high-speed rail link, the Conservatives and the Liberal Democrats favour the latter over the former: their Coalition Agreement states that the Government would agree to implement “the establishment of a high-speed rail network” and “the cancellation of the third runway at Heathrow”. However, some questions remain.

THE AGE OF THE HIGH-SPEED TRAIN?

All major UK political parties are in favour of a high-speed rail link from London to at least the Midlands and the north of England. It is presumed that a high-speed line would eventually go up to Scotland.

The Conservatives made high-speed rail the centrepiece of their transport plans, with a commitment to look initially at building a high-speed line from London to Leeds and Manchester via Birmingham. The Liberal Democrats are in favour of a similar route. Labour had a generally cool attitude towards high-speed rail until its announcement on the future of Heathrow in January 2009. Labour published its final proposals for a high-speed line between London and the West Midlands in March 2010.

While all three parties agreed before the election on the concept of a high-speed line running north-south, there are questions that remain to be answered:

- What will be the route? Where will trains stop and where will the route terminate? The most controversial part of the plan is the route north of Birmingham, in particular whether it runs via the north-west or north-east.
- Labour’s preferred route from London to Birmingham is the only one currently available for public scrutiny: will the new Government propose an alternative route? How long will that take?
- Will the route connect directly to Heathrow? Labour’s plans, published before the election, have a connection to Heathrow but no direct route.

- How will the route be funded? The Conservative scheme is expected to cost approximately £20 billion, three-quarters of which would come from the taxpayer.

High speed rail is an expensive commitment in fiscally straightened times

- When would building start and a route become operational? Timing would depend to some extent on whether legislation was put through during the current Session of Parliament; if so the Conservatives have indicated that they would anticipate that works would begin in 2015 with the line being operational from 2027.

HEATHROW: TO BUILD OR NOT TO BUILD?

In January 2009 the Labour Government announced that its three conditions for supporting a third runway at Heathrow had been met and invited BAA to bring forward proposals to build a third runway and a sixth terminal. The decision was generally supported by business but was opposed by environmental groups as well as by both the Conservatives and Liberal Democrats. Given that the Coalition Agreement includes a commitment not to proceed with the third runway, it would appear to be off the political agenda. However, there are issues to consider:

- What will happen if BAA decides to put in a planning application anyway?

As the legislation currently stands, the Infrastructure Planning Commission would take a decision; the new Government would have to change the law to enable the Secretary of State to do so.

- Is high-speed rail likely to be used as a substitute for domestic flights from Heathrow? Expert opinion is divided on what, if any, impact high-speed rail would have on Heathrow traffic, particularly for business travel.
- What if Heathrow just keeps getting more congested? There are other ways to increase airport capacity and efficiency without physical expansion: changes to air space and flight patterns, slot allocation and regulatory incentives might be other areas to examine.
- Will Gatwick and Stansted expand instead? The Coalition Agreement states that the Government would refuse additional runways at these two airports.

The positions of the coalition partners make the direction of travel on high-speed rail and airports clear – though there is still a long way to go. At some point the route on road transport will also need to be established.

Planning and major infrastructure

Christopher Barclay

How should decisions on major infrastructure projects be made?

There is general agreement that the UK will need major infrastructure investments over the next few years, especially in energy and transport. These range from high speed rail to major renewable energy plants. The Labour Government accepted a widespread business view that the traditional system of deciding whether to grant consent was unsatisfactory. The new system introduced in the Planning Act has, however, been widely criticised.

THE TRADITIONAL SYSTEM

Prior to Labour's reforms, the following process was used:

- Consents were often required under two or three pieces of legislation for a single project
- A public inquiry with cross examination of witnesses, as well as written evidence
- A planning inspector sent the Secretary of State a summary of the evidence, along with a recommendation
- The Secretary of State took the final decision, and did not have to accept the recommendation, provided that he gave good reasons

The old system was seen as too slow for major infrastructure projects of national importance

There were several major criticisms of this process. Public inquiries became very long, lasting several years in controversial cases, despite attempts to improve the procedures.

The Secretary of State could reject the inspector's recommendation, without necessarily having studied the issues very closely. Furthermore, a Secretary of State's decision under one piece of legislation for part of a project might not remove the need for planning consent from the local planning authority.

THE PLANNING ACT

The Planning Act 2008 changed the position completely:

- Major infrastructure projects of national importance required just one type of consent, "development consent", removing the need for consent under several different pieces of legislation
- This consent would be granted by a new body, the Infrastructure Planning Commission (IPC), which would consider the evidence and take the final decision
- Evidence would be considered in writing, unless the IPC chose to have an oral session. There would be no public inquiry of the traditional type
- The Secretary of State would have no role in the individual decision, and no opportunity to overturn the decision of the IPC
- The IPC would take its decisions mainly on the basis of the relevant National Policy Statement (NPS)
- These NPSs would be published in draft, open to public consultation and to consideration by Select Committees, before approval by the Secretary of State
- Before the relevant NPS has been

designated by the Secretary of State, the IPC can still consider the evidence, but the Secretary of State will take the final decision

Several NPSs were published in draft late in 2009, and have been scrutinised by Select Committees that reported in March 2010. Though the IPC has been open to receive applications since 1 March 2010, the NPSs are still to be designated by Government. Consequently, the IPC would currently be able to hear evidence, but not to decide an application. Instead, the panel of members appointed by the IPC would send the Secretary of State their findings and conclusions, and a recommendation whether or not to approve the application.

CRITICISMS OF THE PLANNING ACT 2008

Some critics of the new process contend that it may be considered undemocratic because the decision is not taken by an elected politician. The streamlined process may leave objectors with less chance to challenge arguments in favour of controversial proposals, such as nuclear power stations. Decisions might also be liable to challenge by judicial review, potentially causing considerable delays even if the challenges were unsuccessful.

CONSERVATIVE PROPOSALS

The Conservatives' proposals can be summarised as follows:

- To abolish the IPC, although there might be a centre of major infrastructure expertise within the Planning Inspectorate
- To retain "development consent" as the sole legal requirement

- To retain public inquiries, using existing procedures to prevent undue delays. Current procedures include the possibility of appointing more than one planning inspector and holding hearings on different aspects of the project at the same time
- To leave the final decision with the Secretary of State

The Liberal Democrats also criticised the 2008 Act, but did not commit to abolishing the IPC.

Critics of the Planning Act say the new process is undemocratic and provides little opportunity for objection

THE CURRENT POSITION

Future developments will depend upon decisions by the new Government. If they disagree with the policies on which the NPSs have been prepared, they could revise them. Radical changes would probably mean going through the scrutiny process again, though that would probably be preferable to leaving the draft NPSs unapproved and relying upon the Secretary of State to overturn unwelcome recommendations made by the IPC. Abolishing the IPC would require primary legislation.

Whatever decision is taken on the legislation, the issue of new infrastructure consents is likely to be a major one for the new Parliament. Business will want decisions taken without much delay; objectors will want their views taken into account and the public will demand modern infrastructure.

Reducing flood risk

Oliver Bennett

While Government spending on flood defence has increased dramatically since 1997, larger sums will be needed just to maintain existing levels of protection

Between May and June 2007, extreme rainfall led to widespread flooding in England and Wales. It was arguably the largest peacetime emergency since World War II, causing 13 deaths and £3.2 billion in damage. The Government commissioned Sir Michael Pitt to undertake an independent review of the floods, which concluded that “urgent and fundamental” changes were needed to reduce flood risk. It called for a range of actions, including:

- Clearer roles and responsibilities for flood risk management
- A continued presumption against development in flood-prone areas, barring exceptional circumstances
- Flood-proofing of buildings in flood-prone areas

The Government accepted all 92 recommendations and the *Flood and Water Management Act 2010* implemented those that required legislation, including the provision of clearer oversight of flood risk management at national and local levels, and allowing the changing of building regulations to improve the flood resilience of properties.

However, the challenge posed by flooding is predicted to increase in future due to a number of factors, including:

- Climate change, which could lead to rising sea levels and changes in rainfall
- Ageing drainage and flood defence infrastructure

- More buildings in flood-prone areas
- More paving, which increases the volume of water running off the ground

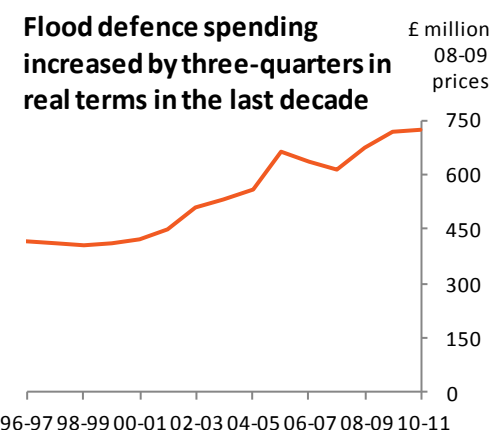
Annual flood damage costs in England and Wales are around £1 billion today—but these could exceed £27 billion by 2080 in the worst case scenario.

Annual flood damage costs £1 billion – but this could rise to £27 billion by 2080

FLOOD DEFENCE SPENDING

While there has been a significant real increase in flood defence spending since 1997, in order to maintain existing levels of flood protection to 2035, spending on asset maintenance and construction would have to increase by 80% to over £1 billion per year. That is an increase of £20 million plus inflation per year to 2035, excluding the costs of tackling surface and groundwater flooding. This investment would save the economy some £180 billion over the next 100 years. *Finding the funding necessary for flood protection works will be challenging in the light of budgetary constraints.*

While national funding will continue to be important, local and other funding will have to play an increasing role in meeting local flood risk management priorities.



INSURANCE

The insurance industry has agreed to provide flood cover for most properties, but only if government continues to invest in flood risk management. This agreement does not cover properties built after January 2009. While Pitt found that the current arrangements for flood insurance were largely satisfactory, some of those affected by recent flooding claim that they have experienced unaffordable increases in their premiums and excesses. This has caused some property owners difficulty in obtaining flood cover and mortgages. There have also been claims that insurance costs have not been reduced when property owners have installed flood protection measures. However, insurance companies say that flood damage costs are increasing, and it is fair that property owners should share the risk of owning a property in a flood risk area. *The Government will have*

to commit to long-term investment in flood protection; otherwise the insurance industry could change the basis upon which it insures properties against flooding. There is a need to ensure that flood insurance premiums are based on a true reflection of risk, and that insurers are reducing premiums for those who install property-level flood protection measures.

COMPETING OBJECTIVES

Balancing development pressure, flood risk protection and environmental aims will continue to be difficult, particularly in light of the potentially significant impacts of climate change. New measures introduced by the *Flood and Water Management Act 2010* should help to deliver a more coordinated approach, although controversial decisions about which flood protection measures should be funded will remain. *The National and Local Flood Risk Management Strategies being developed will have important implications for local communities. Balancing the competing objectives and interests of different stakeholders will lead to controversial proposals related to flood protection. Full engagement with affected communities will be needed.*

Strategic Defence Review

Claire Taylor

Will the forthcoming Strategic Defence Review be threat or budget driven?

At the beginning of Gordon Brown's tenure in June 2007, speculation was rife that a major re-evaluation of defence policy would be undertaken for the first time since the 1998 Strategic Defence Review. A new review was considered pertinent given the scale of operational commitments in Iraq and Afghanistan, accusations that the Government had breached the Military Covenant, and wider discussions over the defence budget (including potential cuts to the three services in order to meet the Government's spending targets).

However, that review did not emerge, which several analysts argued at the time was symptomatic of the Government's general feeling of malaise towards defence policy. Many suggested that affordability was a huge

constraint: a direct result of the Government's unwillingness to dedicate adequate resources. Others suggested the lack of clarity was the result of incoherence in the Government's overarching foreign policies more generally.

FISCAL CONSTRAINTS

In the last few years, pressure on the Armed Forces and the defence budget has increased as a result of the global fiscal crisis and the subsequent constraints imposed on government spending. Although the defence budget has largely risen in real terms in the last decade, the National Audit Office estimates that the MOD's budget continues to have a shortfall of between £6 billion and £36 billion.

The NAO estimates the MOD has a budget shortfall of up to £36 billion

Calls for a new defence review and a re-evaluation of the MOD's spending plans have therefore remained high on the political agenda and in July 2009 the Labour Government announced its intention to conduct a new Strategic Defence Review early in the next Parliament. As a first step, it published in February 2010 a Green Paper entitled *Adaptability and Partnership: Issues for the Strategic Defence Review*. While acknowledging that Afghanistan remains the current priority for the Armed Forces, the paper made it clear that in planning for the future the UK must anticipate a wide range of threats and subsequent requirements. As such, any review "must contribute to decisions about the role we want the United Kingdom to play in the world and how much the nation is prepared to pay for security and defence". Importantly, the paper acknowledged that the MOD cannot proceed with all the activities and programmes it aspires to while simultaneously supporting current operations and investing in new capabilities. The forthcoming review must, therefore, set the UK's strategic priorities for the longer term while establishing a defence programme that is affordable.

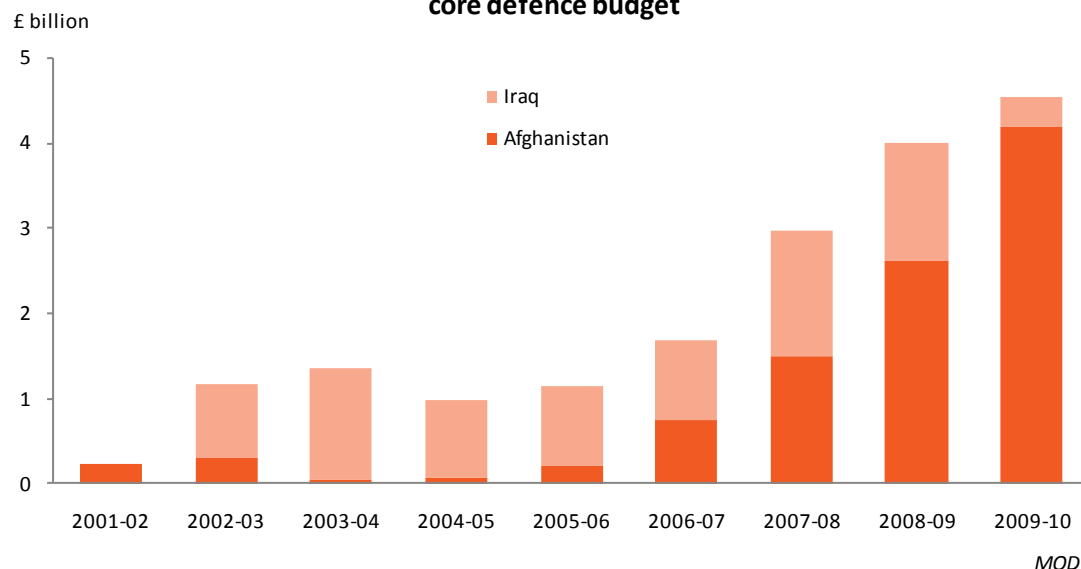
Concerns have been expressed, however, that despite best intentions for the review to be threat driven, the review will not be completed in time to avoid demands

that budgetary considerations should take precedence due to the prevailing economic climate. Trevor Taylor, writing for RUSI, has argued that "by the time the review is completed, some major cost-cutting measures may need to be taken [...] if the MOD is required to make significant cuts in the short term, the result is likely to be an incoherent defence effort that the eventual defence review will struggle to rectify". Indeed, the Labour Government had already announced a number of "re-balancing" measures in order to support operations in Afghanistan, including the closure of RAF Cottesmore and the early withdrawal from service of several air and naval platforms.

WHERE FROM HERE?

The extent to which the new coalition Government will embrace the recommendations of the green paper remains to be seen. What is certain is that squaring available spending against the MOD's obligations and aspirations will not be easy, while compromises over the exclusion of the Trident replacement programme from any defence review may need to be made. While the Labour Government and the Conservatives had both indicated their intention to ring fence Trident, the Liberal Democrats have consistently called for a "like-for-like" replacement of the UK nuclear deterrent to be scrapped and for all other remaining options to be considered as part of a new defence review.

The costs of military operations need to be funded in addition to the core defence budget



The military campaign in Afghanistan

Claire Taylor

When will the International Security Assistance Force in Afghanistan be able to hand over to Afghan forces?

The International Security Assistance Force (ISAF) in Afghanistan is currently mandated under United Nations Security Council Resolution 1890 (2009), although operational command of ISAF was assumed by NATO in August 2003. Since 2006, calls have consistently been made for the NATO Member States to meet the force requirements of the ISAF operation amid allegations of unequal burden-sharing within the Alliance. Military commanders on the ground have in the past also criticised the imposition of national caveats on the deployment of military forces, arguing that restrictions on the rules of engagement of certain countries' forces undermine the overall effectiveness of the ISAF operation. In addition to the deployment of ISAF, American and other forces have also continued to conduct counter-terrorism operations independently in the

country under *Operation Enduring Freedom*. To provide coherence between both operations, the Commander of ISAF is also the Head of US Forces in Afghanistan.

ISAF's main role in Afghanistan is to assist the Afghan Government in exercising and extending its authority across the country and creating a secure environment, with a view to paving the way for reconstruction and effective governance. ISAF therefore has the following mission objectives: to conduct stability and security operations throughout the country in conjunction with the Afghan National Security Forces (ANSF); mentor, train and equip the ANSF; provide humanitarian and reconstruction assistance; and support the counter-narcotics efforts of the Afghan government.

STRATEGY

Under the overarching framework of the Obama Administration's 2009 'Af-Pak' strategy and the political framework agreed at the London conference in January 2010, the focus of the ISAF mission is shifting towards counter-insurgency operations, with specific emphasis on establishing effective political governance and expanding the size and capabilities of the ANSF. The intention is to begin transitioning security control to the ANSF on a district-by-district basis, provided security conditions are met, from the end of 2010, so that coalition forces can gradually withdraw from mid-2011. Coalition allies have, however, emphasised that this does not constitute an 'exit strategy' from the country.

ranging from counter-narcotics to economic development, is based in Lashkar Gah, the capital of Helmand.

US troops have largely been situated in the eastern provinces around Kabul. However, as part of the surge process, they are currently being deployed into Regional Command South (RC(S)) areas, including Helmand. This process is due to be completed by the end of August 2010. Canadian troops in Kandahar and Dutch troops in Uruzgan (Tarin Kowt) are due to withdraw in 2011 and late 2010, respectively.

IS THE TIMETABLE REALISTIC?

It remains debatable whether the security situation on the ground in the southern provinces will have progressed sufficiently for a handover of control to be achieved within the timeframes envisaged. Political pressure on countries to retain their force levels in southern Afghanistan beyond 2010/2011 is considered likely if the US, and possibly the UK, are to avoid filling the breach in the longer term. Both the Chief of the Defence Staff and the Chief of the General Staff have expressed the view that British forces will remain in Afghanistan until at least 2014, when the role of UK forces could become more focussed on development, governance and security sector reform. Afghan President Hamid Karzai has also argued that the process of handing over security to the ANSF could take up to 15 years and has therefore cautioned against a hasty withdrawal.

The plan is for Coalition forces to begin withdrawal in mid-2011

In order to deliver on those objectives, a surge of military forces has been agreed, with primarily the US and other coalition allies deploying an additional 40,000 troops to Afghanistan over the course of 2010, which will take the size of the overall ISAF contingent to over 100,000 troops. In Autumn 2009 the Prime Minister announced that the UK would deploy 9,500 personnel to ISAF for the foreseeable future.

These UK troops are situated in Helmand province in the south west of Afghanistan. The UK Provincial Reconstruction Team, which supports the Afghan Government in matters



Prospects for 'AfPak'

Jon Lunn and Ben Smith

The next year will determine the success or otherwise of Western policy in Afghanistan and Pakistan

Following his inauguration in January 2009, President Obama initiated an interagency review of US policy in Afghanistan and Pakistan. In March 2009 it was affirmed that the **"core goal of the US must be to disrupt, dismantle, and defeat al Qaeda and its safe havens in Pakistan, and to prevent their return to Pakistan or Afghanistan"**.

Although the policy was coined 'AfPak', conceptually the core problem was now defined as nuclear armed, deeply unstable Pakistan's role as a sanctuary for terrorists, particularly in the Pashtun border areas, which are the rear base of the Afghan Taliban, the home of the Pakistan Taliban and the refuge of al-Qaeda. However, Afghanistan is hardly an afterthought. Additional troops have been pledged by coalition allies to fight the Afghan Taliban. The US bears by far the largest share, increasing its presence by 30,000. The UK, which has broadly supported the AfPak policy so far, is contributing 500 extra personnel, bringing its total presence to 10,000. The hope is that this military 'surge', backed by a host of interlinked political and development initiatives, will create the conditions for significant troop withdrawals from Afghanistan from mid-2011 onwards.

BY THE END OF 2010 WE SHOULD HAVE A GOOD IDEA OF HOW SUCCESSFUL THE AFPAK POLICY IS GOING TO BE.

2010 has seen a renewed military effort by US and UK forces to push the Afghan Taliban out of key strongholds in Helmand Province.

An offensive in Kandahar Province is expected soon. There are also moves, following the January 2010 London Conference, to further build local security capabilities, strengthen governance, tackle corruption, combat the narcotics trade and promote the reintegration of Taliban fighters. The Afghan Government, led by President Hamid Karzai, and the UN have also begun to explore the potential for political reconciliation, including through negotiations with parts of the Taliban leadership, although some, including within the US administration, appear to view these efforts as premature.

Troop withdrawals from Afghanistan could begin in mid-2011 – but was it wise to specify this timeframe?

In Pakistan, a major US-led development plan, mainly aimed at the border areas, is slowly taking shape. Peace talks with the Pakistan Taliban are not envisaged, but the Pakistani military's appetite for large-scale action against militants has diminished since 2009, when it conducted a series of offensives. In recent months, there have been arrests of senior Afghan Taliban figures in Pakistan. Although publicly welcomed by the coalition allies, doubts have been expressed both about their impact on future negotiations and about Pakistan's motivations. US drone attacks against militants on the Pakistan side of the border continue, despite their continuing unpopularity among ordinary Pakistanis.

CAN AN AFPAK POLICY THAT COMBINES SUCH MILITARY AND POLITICAL 'SURGES' WORK? AT THE MOMENT, THERE ARE FAR MORE QUESTIONS THAN ANSWERS.

- Do the coalition allies have a realistic and shared 'bottom line' on Afghanistan? Is agreement possible over whether the Afghan Taliban should be part of a future power-sharing arrangement, provided it severs all links with al-Qaeda, or must it be 'moderates only'? Can Karzai and his supporters be relied upon to lead on political reconciliation when that outcome could involve a significant loss of power and influence? If a viable power-sharing arrangement is not taking shape by mid-2011, will troop withdrawals begin anyway as part of a 'run for the door'? Will the Afghan Taliban wait out the next 18 months, believing that time is on its side? Can current allied military operations alter such calculations? Will the Afghan army and police be ready to take over crucial security roles by mid-2011?
- Will the benefits of the enhanced development initiatives now proposed for Afghanistan and Pakistan materialise quickly enough, given inevitable donor delays, problems of 'absorptive capacity' on the part of the recipients and rampant corruption? Is there a danger that more immediate military and security considerations will compromise or over-ride these priorities?
- Can Pakistan's political and security establishment be persuaded to cease 'hedging their bets' through supporting the Afghan Taliban when it remains so

anxious about growing Indian influence in Afghanistan? Can the US overcome its 'trust deficit' in relation to Pakistan? Is a weakened Pakistan Taliban managing to reconfigure itself, perhaps with a greater presence in settled and urban areas? Is it realistic to expect the complete defeat of the Pakistan Taliban, or will there ultimately have to be negotiations with them too?

Majority Pashtun areas of Afghanistan and Pakistan



Heritage Foundation, Revitalizing U.S. Efforts in Afghanistan, October 2007

- Given their history and culture, will the Pashtuns of the border areas ever accept, as some advocate, full and unambiguous incorporation into the political and administrative life of either of the two states in which they currently live? Indeed, might AfPak, through its heavy focus on the border areas, even be paving the way for a more or less independent 'Pashtunistan'?

Iraq: bright future or back to chaos?

Ben Smith

Iraq has stabilised and a potential future as an oil-rich democracy beckons. But much remains in the balance

The reputations of the US and the UK are at stake in Iraq and a stable and democratic future for the country is widely accepted to be in the balance over the next few months. US combat troops are due to withdraw from Iraq by the end of 2011, with a major drawdown as soon as August 2010. Elections to the Iraqi Council of Representatives (parliament) were held in March 2010, and whatever government is eventually formed from it will have to lead the country into the new era of self-reliance.

IRAQ MATTERS FOR THE MIDDLE EAST

With hundreds of thousands of Iraqi refugees still in neighbouring countries, conflict over resources such as water a real possibility and the strength of radical Islam a big concern, western governments say that the region needs a wealthy, pluralistic and stable Iraq. Iran's relationship with the Shi'a majority in Iraq is crucial to its ambitions to be the dominant regional power in the Persian Gulf, now that the overthrow of Saddam Hussein has removed the major counter-balance to Iranian influence in the area.

RELATIVELY PEACEFUL AND CLEAN ELECTIONS

The parliamentary election of 7 March 2010 was a crucial test. Levels of violence in the run-up to the election were encouragingly low; that still meant the deaths of 38 Iraqis on election day but not the major upsurge in sectarian violence that many had feared. This was particularly encouraging because Iraqi forces were in charge of security.

A turnout of 62% was acceptable and, crucially, Sunni voters decided not to repeat their boycott of the 2005 general election, despite many provocative disqualifications by Iraq's Justice and Accountability Commission of leading Sunni figures for their alleged involvement in Saddam's Ba'ath Party. International observers concluded that the level of fraud was low.

Also positive was what looks like a growth of voting on policies rather than along sectarian lines. The success of Iyad Allawi's Iraqiya bloc, the least sectarian-based bloc (91 seats in the 325-member Council of Representatives), was testament to that. The incumbent Prime Minister Maliki's State of Law bloc, also a

pragmatic group by Iraqi standards, came a very close second, with 89 seats in the provisional results. Groups closer to Iran did less well.

HORSE TRADING

The problem with the election has been the closeness of the result, and forming a government presents formidable difficulties. Experts say that it will take months, even most of 2010, to reach a conclusion, not least because Iraq's violent recent past means that there are many good reasons for most of the leaders to hate each other. Maliki has ordered a recount in Baghdad, which may reverse the position of the two leading blocs. The role of the radical Shi'a Sadrists and of the Kurds may be crucial, though the US is said to be pressing for a grand coalition between the Allawi and Maliki blocs.

In May 2010 it was announced that Maliki's bloc and the other main Shi'a bloc, the Iraq National Alliance, which won 70 seats and includes the Sadrists, were negotiating over a possible governing pact. Such a coalition would still be short of the 163 seats necessary for a majority and Maliki would probably have to stand down. Maliki is not supported by the Sadrists, having ordered a fierce crackdown on the Sadrists' Mahdi Army militia in 2008.

WHAT DOES THE FUTURE HOLD?

- Will prolonged negotiations discredit democracy and foster sectarian violence? How hard can the US or the UK push for the formation of a government without that government appearing illegitimate? Even US influence is dwindling fast; the UK has little if any leverage.

PRAGMATIC GROUPS PERFORMED WELL IN THE ELECTION: BUT A GOVERNING COALITION MUST STILL BE FORMED

Provisional results

	Seats
al-Iraqiya	91
State of Law	89
Iraqi National Alliance	70
Kurdistan Alliance	43
Others	32

Independent High Electoral Commission

- Will Iyad Allawi, seen by the Sunnis as their champion although he himself is a Shi'a Muslim, be excluded from office; would the Sunnis violently reject such an outcome? With a government made up only of Shi'a blocs, Iraq might drift towards Iran and towards becoming an Islamic state.
- Will the withdrawal of American forces let Iraq slip back into violence, or will national security forces hold the line?
- Will the new government be able to reconcile potentially explosive differences over the country's vast oil reserves, leading the country to a wealthy future?
- If Iraq, which is not a member of OPEC, fulfils its oil production potential, it could have a major impact on oil prices.
- After years of delay, will Iraq implement its hydrocarbons legislation and will that result in a bonanza of contracts for western companies?

The rewards of success in Iraq could be enormous for Iraq, its neighbours and the West; the risks remain formidable.



International energy security

Ben Smith

Energy security will play an ever growing role in foreign policy

Rapid economic growth in the developing world, particularly India and China, has concentrated the world's attention on energy resources and the potential for conflict over them. In common with other European countries, Britain's energy security faces threats on an international scale and the UK must make some tough choices in the coming years. Technological advances may offer some solutions, but political choices are also necessary.

WORLD DEMAND FORECAST TO RISE

If no action is taken to halt the growth of fossil fuel use, the International Energy Agency forecasts that world energy consumption will increase by 40% by 2030, with nearly all of that increase coming from non-OECD countries. Fossil fuels will probably remain the dominant source of energy up to 2030. However, production from conventional oil and gas reserves in Europe and America is set to decline. Taken together, these trends imply a move in the centre of gravity of energy supply and demand towards Asia.

COMPETING FOR MIDDLE EAST AND CASPIAN OIL?

The bulk of the world's oil reserves and much of its gas is located in the Middle East and Caspian region, and there is, unsurprisingly, considerable competition for interests in such areas. China may become the biggest importer of oil and gas around 2025, and it clearly intends to secure energy resources from the region. Chinese reluctance to back

UN sanctions against Iran has been attributed to its interest in Iranian oil reserves. Some Western observers are also concerned about the Shanghai Cooperation Organisation, a regional cooperation body whose members include Russia, China and the gas-rich Central Asian republics. As yet, this organisation has no military role.

Some commentators see the wars in Afghanistan and Iraq as moves in a vast game to secure fossil fuel supplies from the Caspian Sea and Persian Gulf for Western consumers in the face of rapidly growing demand from Asia and declining domestic resources. This reasoning is, of course, controversial.

As Gulf and Caspian resources are taken up by Asian demand, analysts forecast that Europe will increasingly come to depend on Russia and Africa for its fossil fuels.

PROBLEMS WITH RUSSIAN AND AFRICAN SUPPLIES

Relations between the West and Russia have improved from their recent low point, but they remain fraught with difficulties. The struggle for power in the energy market has been fought out in battles over the route of gas pipelines from Russia to Europe, with Russia perceived as trying to lock European consumers in, and the European Union backing alternative projects that will give European consumers more choice. Long-term supply contracts can also be problematic in a highly volatile market.

African countries have greater reserves of both oil and gas than North America and Western Europe combined. Their closest market is Europe, but instability and insecurity are an obstacle to trade with many African countries.

TECHNOLOGY TO THE RESCUE?

Rapid technological change, and price increases, can overturn assumptions about the future of the energy market. Improvements in extraction technology have made available huge unconventional reserves of gas, such as shale gas. Large amounts of these unconventional reserves are located in North America and Western Europe, and this offers some relief from competition for Middle Eastern and Caspian reserves. The international gas market has also been revolutionised by the growth of liquefied natural gas, which can be shipped by tanker and therefore freely traded like oil and used as a transport fuel.

Coal produces about twice as much CO₂ as gas per unit of electricity generated, but with carbon capture and storage (CCS) coal-fired generation could meet environmental standards and be a useful diversification, reducing the threats to the UK's energy supplies: coal deposits are far more widely spread than those of gas or oil and a competitive and broadly-based international market has kept prices more stable and supplies reliable. Analysts do not, however, predict a significant revival in UK production.

WHAT CAN THE UK AND OTHER EUROPEAN NATIONS DO?

- In order to secure supplies from Africa should Europe pursue a more active policy? Could European engagement significantly foster security and improve the reliability of those supplies? Should Europeans invest more aggressively in African production and transport infrastructure?
- How much political capital should Western leaders expend maintaining good relations with Russia? Should the EU develop a more coordinated external energy policy, ending the situation where Russia enters into contracts with individual countries over pipelines and supply?
- The direction of UK energy policy has generally been towards liberalisation. Is it wrong to trust that an open international energy market will always be able to supply British needs?
- Should the UK invest more in gas infrastructure, including storage? Can the development of CCS be accelerated significantly?
- Should UK electricity generation be based on the import of fossil fuels? Or do we need a step change in support for energy efficiency, renewable sources and nuclear power?

Agriculture and food security

Christopher Barclay

The future of the Common Agricultural Policy is to be decided in an era of concerns about food security

By the end of 2010, EU discussions will begin on the shape of the Common Agricultural Policy (CAP) after 2013. In broad terms, the UK's approach contrasts with that of France. The UK favours using farm support to deliver environmental goals and trade to deliver food security. French policy is to use farm support to preserve agriculture from full foreign competition, to allow it to develop high quality products with export potential.

CAP

The CAP was developed in order to boost domestic food production and prevent a mass exodus of the rural population towards urban areas. Originally it offered to buy farm produce in several major areas, such as grain and dairy produce, at guaranteed prices that were far above the international price level.

By the 1980s the problem was overproduction rather than shortage. Over the 1990s and 2000s the CAP has dropped most of the price support in favour of direct payment to farmers based on the size of the farm. The payments require compliance with certain environmental conditions. The UK Government welcomed the shift of farm support towards payment for environmental objectives, rather than as support for increased food production.

HIGH FOOD PRICES

High food prices in recent years, especially in 2008, have led to concerns about the direction of policy. Some poor countries suffered severe problems in affording enough for people to eat. Even in the UK, food prices increased

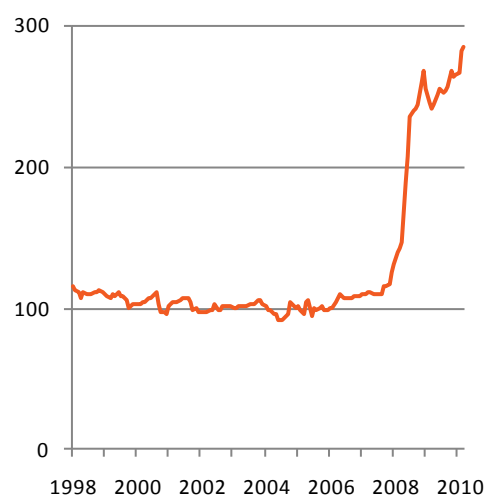
sharply, driven by increased production, transport and fertiliser costs. Some people blamed legislation in the EU and USA encouraging the growing of crops for biofuels, rather than for food.

The idea that the market will always operate effectively also came under scrutiny. Some Asian rice producers suspended rice exports in 2008. The failure of the Doha Round of world trade talks increased the probability of bilateral deals and market protection.

FOOD SECURITY PROBLEMS MAY RETURN

Prices of many (but not all) foods have declined since 2009. However, food policy issues concern the much longer term and

Prices of imported foods such as rice have increased sharply
UK producer price index - rice, 2005=100



the problems of 2008 might be repeated. A 2009 Chatham House report, *Food Futures: Rethinking UK Strategy*, argued that UK food security problems would return, unless action was taken. A return to rising oil prices, which adds to fertiliser prices as well as fuel costs, adds to these concerns.

In addition, climate change is almost certain to make food production more difficult. Although some cold northern areas should have a longer growing season, larger food production areas will become less efficient at food production through being too hot. The exceptionally hot summer of 2003 caused a decline of around 20% in European agricultural productivity. There are further potential problems through uncertain water supplies – floods in some areas and drought in others.

Climate change may already be affecting some major agricultural producers like Australia, where extreme temperatures may be undermining a major world supplier of wheat. A poor Australian wheat crop can increase world prices.

GOVERNMENT REACTIONS TO HIGH FOOD PRICES

The British Government – stated in *Ensuring the UK's Food Security in a Changing World* - stressed the importance of international trade. Even if animal disease limited domestic supply, access to the world market would enable a wealthy country like the UK to supply its food needs. However, Defra has put more emphasis upon food security in its policies and Chief Government Scientific Adviser John

Beddington has famously pointed to the risks of a "perfect storm" of food shortages, scarce water and insufficient energy resources by 2030.

David Cameron stressed the importance of food security in a speech to the National Farmers Union in February 2008. Amongst other causes for concern he noted that a one metre increase in sea level, expected by the end of the century, would swamp nearly one third of the world's cropland.

The French Government have regularly supported the traditional CAP and fought successfully against reducing its protection for farmers. Instead of favouring increased market access, they have argued that the high food prices vindicate defence of food production within the EU. Instead of favouring more food imports, they favour a return to a CAP based upon high support prices.

WHAT HAPPENS NEXT?

EU farm ministers will soon have to decide upon the shape of the CAP for the years after 2013. The issues are bound to return in that debate. Countries that have recently joined the EU are expected to favour the French position, but some northern countries may side with the UK. Farmers, broadly, prefer increasing food production to providing environmental benefits, but are willing to do either. Given the tight financial constraints, there is unlikely to be the level of support available for them to do both.

The new European Union

Vaughne Miller

Although the Treaty of Lisbon is now in force, several outstanding EU issues remain

NEW POWERS AND INSTITUTIONS

The *Treaty of Lisbon* came into force on 1 December 2009, introducing a President of the European Council and a European High Representative for Foreign Affairs and Security Policy. The 27 EU Member States elected the little-known Belgian Prime Minister, Herman Van Rompuy, as European Council President to represent the EU in international fora. Catherine Ashton, the relatively inexperienced former EU Trade Commissioner, was appointed High Representative, to speak for the EU in trade and diplomatic matters.

Although reputed to be skilful negotiators, are these low-profile appointments the answer to Henry Kissinger's question: "Who do I call when I want to speak to Europe?" Or could the EU become marginalised, as power is grasped by powerful national political figures, such as French President, Nicolas Sarkozy, and German Chancellor, Angela Merkel?

In January 2010, under Lisbon provisions on the European External Action Service, 54 of the European Commission's 136 delegations abroad became EU embassies with new powers to co-ordinate the work of the Member States' bilateral missions and speak on behalf of the whole EU.

Will the Foreign Office become redundant, since EU ambassadors will act on behalf of the EU as a whole, rather than bilaterally? Will the UK Government be overruled in diplomatic matters, such as how to respond to human rights abuses abroad, because there is no common national interest among the Member States?

EUROPEAN PARLIAMENT MEMBERS

The 2009 EP elections were held under old provisions and a Treaty amendment is needed for 18 observer Members to become full MEPs until 2014. This requires ratification of a transitional protocol. Although most qualifying States, including the UK, will use the 2009 election results, others cannot, and a Convention might be called in June/July to decide how these MEPs can be elected. Some fear that unless the agenda is focused, a Convention might re-open earlier disputes over institutional provisions.

A bill will be needed to authorise ratification of the Treaty change and to provide for the UK's extra seat to be filled, based on the results of the 2009 EP elections.

GREECE, THE EU AND THE EURO

Greece faces enormous public finance difficulties and its 2009 budget deficit was 13.6% of GDP. Doubting its ability to meet loan payments, lenders have charged Greece high rates of interest, compounding these difficulties. The Greek Government enacted extensive austerity measures but this was not enough to reassure financial markets. On 2 May 2010 the EU and IMF loaned Greece €110bn over three years, subject to further public spending cuts.

There have been concerns, reflected in the value of the euro, that other fiscally-troubled eurozone countries such as Portugal and Spain could be similarly affected via a 'domino effect'. In response, a package of emergency EU and IMF measures worth up to €750bn was announced on 9 May 2010.

The international co-operation is impressive and has so far reassured markets. However, is the turmoil the inevitable result of countries as diverse as Greece and Germany sharing a currency and interest rate? Is the UK, which retains its high credit rating, safe from the contagion?

EU ENLARGEMENT

Successive British governments have supported EU expansion in preference to further EU integration (the 'widening versus deepening' debate). There are presently three candidate countries (Turkey, Croatia and the Former Yugoslav Republic of Macedonia) and several others, including the Western Balkan states, seeking EU membership. Turkey, an associate member since 1963 and candidate for full membership since 1999, began accession negotiations in 2005, but progress since has been slow. With further progress on political and legal reforms and human rights, the Commission believes Ankara will fulfil the political and economic accession criteria.

However, Van Rompuy has in the past opposed Turkish membership, suggesting that the entry of a large Islamic State could dilute Europe's Christian heritage. Negative views from some European governments (e.g. French, Greek and Cypriot leaders) threaten to block Turkish membership and have contributed to an eastward turn both in Ankara's foreign policy and Turkish public opinion.

Will Ankara, located in a strategically important area and a NATO ally, abandon a westward-looking foreign policy and look eastwards in search of allegiances? Might

those EU states wary of Turkey in the EU have more to fear from Turkey turning towards the east?

UK SCRUTINY OF THE EU

Under Lisbon national parliaments can submit "reasoned opinions" to European institutions on legislative proposals they believe breach the subsidiarity principle (which presumes action at national rather than EU level). In January 2010 The Commons European Scrutiny Committee proposed an amended Standing Order and scrutiny reserve resolution to implement the new power, and also a resolution on the scrutiny of 'opt-in' proposals for criminal justice matters (Britain can choose whether to participate in such commitments). During the passage of the 2008 European Union (Amendment) Bill the Government said Parliament would have eight weeks to scrutinise proposed criminal justice opt-ins. The Lords EU Committee proposed SO revisions in March 2010. The Government now informs the Committee of dossiers it wants to opt into.

Just before Lisbon came into force, the Government agreed to an interim agreement with the United States on data sharing before the ESC had cleared it. In a debate in February 2010 concerns were expressed that the Government's action might set a precedent for subsequent divergences from the 2008 assurance.

Issues concerning the responsibility of Government towards Parliament in EU matters and the effectiveness of parliamentary scrutiny of EU business have yet to be fully resolved.

G20 rises, G7 & G8 fall?

Ian Townsend

The emergence of the G20 crystallises a power shift towards large emerging economies in global economic governance

The G20 is a forum for economic co-operation among its members' finance ministers and central bank governors. It was formed in 1999 in the aftermath of the Asian financial crisis. Its chairmanship is passed annually between members, including the UK in 2009 and South Korea in 2010. The G20 met at heads of government level for the first time in November 2008 and two further leaders' summits, including in London April 2009, have since followed.

G20 leaders, including the Prime Minister, are scheduled to meet twice in 2010: in Canada in June and in South Korea in November. Four G20 finance ministers' meetings in 2010 are also planned.

WHO'S IN? WHO'S NOT?

Though there are no formal membership criteria, the G20 comprises 'systemically important' countries: the 'BRICs' (Brazil, Russia, India and China), seven other emerging economies, the G7 group of developed economies and Australia.

The European Union is the Group's 20th member, though four EU members are represented directly. Spain and the Netherlands have also attended G20 leaders' meetings but are not full G20 members. Representatives of major international institutions – the UN, World Bank and International Monetary Fund (IMF) – and regional organisations also attend meetings.

- Five economies are larger than the smallest in the G20 - South Africa (ranked 32nd) - but are not G20 members

- South Africa and Saudi Arabia are the sole representatives of Africa and the Middle East respectively

The G20's membership has stayed unchanged since its establishment, and it is unclear if and how its membership might change in the future. While the G20 is a broader forum than the G7 or G8, for non-members it represents a new exclusion, and it remains to be seen how smaller developing economies can be represented and heard at the G20.

WHAT DOES THE G20 COVER?

The current G20 agenda is broad but economics-focused, including:

- Co-ordinating monetary and fiscal stimulus packages to minimise the impact and duration of the global financial crisis, and coordinating 'exit strategies' for their withdrawal
- Co-ordinating macroeconomic policies internationally and addressing persistent imbalances for 'sustainable and balanced growth of the world economy'
- Regulation and reform of financial services and the creation of a new Financial Stability Board
- Increasing IMF, World Bank and regional development bank resources
- Tackling tax havens, boosting global trade finance, resisting trade protectionism and promoting a multilateral Doha Round trade agreement

IMPLICATIONS FOR THE G7 AND G8

The G20 has proclaimed itself "the premier forum for our international economic cooperation". There are also signs of broader G20 meetings: G20 employment ministers met in April 2010. What then is the need for the G7 and the G8? Brazil, China, India, Mexico and South Africa have already been increasingly involved in G8 meetings as the 'Outreach 5' or 'Group of 5'.

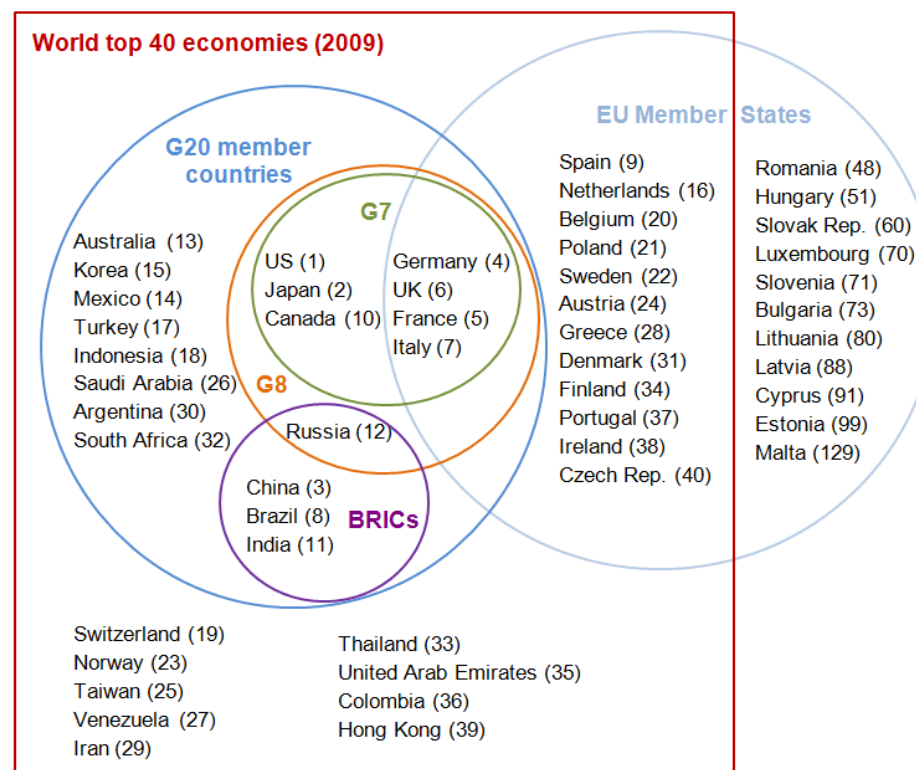
There have been suggestions that the G8 could continue as a forum focusing on

international security and development.

This was the focus of the March 2010 G8 foreign ministers' meeting, and G8 Development Ministers met in April 2010. The G7 could continue as a subset of the G20 on economic and financial issues, alongside the BRICs, which held their second summit in April 2010.

While the G20 continues to establish its role and issue focus in 2010, the critical year for the G8 is likely to be 2011, when France holds both the G8 and G20 presidencies.

The G20 is not simply the 20 largest economies



0.7% of national income as aid

Ian Townsend

There is consensus on spending 0.7% of national income on aid – but why the 0.7% figure, how will it be met, and will it guarantee results?

All the major parties have committed to ensuring the UK meets by 2013 the iconic UN target of 0.7% of national income as aid.

WHY 0.7%?

The 0.7% of Gross National Income (GNI) figure – including income from abroad, not just what is produced domestically (GDP) – dates back to at least 1969, and a World Bank commissioned report. The 0.7% figure was largely arbitrary, based on assumptions about development and political possibilities at the time.

It has nonetheless persisted, garnering widespread support, and becoming a touchstone for campaigning organisations, such as the UK's 2005 'Make Poverty History' campaign. It features in various international agreements and reports, including the 2002 UN Monterrey Consensus on Financing for Development.

MEETING THE TARGET

By 2009, forty years after the target was first proposed, only five countries had met the target: Denmark, Luxembourg, the Netherlands, Norway and Sweden.

Ensuring that donors meet the 0.7% target is widely seen as a necessary, though not sufficient, condition for meeting the UN's Millennium Development Goals (MDGs), a set of targets under eight themes to reduce poverty and improve conditions for the poor in developing countries by 2015. In 2005 major EU donors committed to reach 0.7% by 2015, and the European Commission has called for annual action plans to meet aid targets ahead of the September 2010 UN MDG review conference.

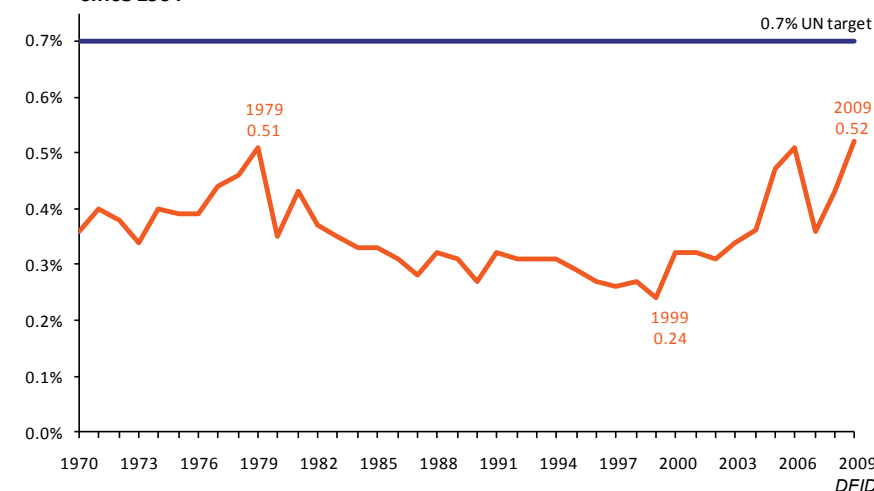
The Labour Government repeatedly stated that the UK would reach 0.7% by 2013, and aid spending commitments were maintained during the global financial crisis and recession. Lower national income and maintained aid spending combined to mean the UK reached 0.52% of national income in 2009, above the 0.48% envisaged for 2009/10 in the 2007 Comprehensive Spending Review. The OECD estimates aid to reach 0.60% in 2010, which would give a new government three years to devote another 0.1% of national income to aid.

WHAT WILL IT COVER?

The 0.7% target is based on the internationally-agreed definition 'Official Development Assistance' (ODA). While the *International Development Act 2002* requires ODA spending by the Department for International Development to be for poverty reduction, the international rules are not as rigid. This has raised concerns about 'stretching' the concept of aid, particularly with tight public spending limits and a public commitment to reach the 0.7% target, including:

- **Debt relief**, with calls for separate measurement from other forms of aid
- **Climate change financing** could be classified as ODA, with the Labour Government committing to limit this to 10% of total aid spending
- **Security-related spending**: while military spending cannot be classed as aid, state-building and humanitarian operations could be, and concerns over 'aid militarisation' have been raised.

In 2009, UK aid reached 0.52% of national income, the highest level since 1964



AID EFFECTIVENESS

High-level donor targets for aid do not guarantee the quality of aid or its effectiveness. Existing systems could struggle to ensure a poverty reduction commensurate with the rapid up scaling of aid needed to reach the 0.7% target. There are likely to be continued calls to ensure that monies spent on aid are monies that work.

0.7% IN LAW?

The apparent political consensus suggests that the UK will maintain aid commitments despite actions to reduce the public sector deficit elsewhere. However, as clearer plans for spending cuts and/or tax rises emerge this consensus could weaken, public support could drain away, and aid budgets could be under threat.

The Labour Government introduced the *Draft International Development (ODA Target) Bill* in the 2009-10 session of the last Parliament, which would write the 0.7% by 2013 target into UK law, and require this to be the minimum level of future aid spending.

While such legislation could hold a future government to account and act as a restraint on breaking the 0.7% limit, punitive measures for missing the target are unlikely, and an International Development Select Committee report recommended measures to strengthen accountability and consideration of making all – not just DFID – aid focussed on poverty reduction.

As all three major parties have endorsed legislating to meet 0.7% of national income on aid in perpetuity from 2013, these issues will re-emerge in the new Parliament.

The next election

Lorna Booth

What implications does the new electoral landscape have for the next General Election?

There will be another General Election within five years. Analysing 2010 General Election majorities at constituency level offers some insight into what may happen.

SWINGOMETER

Based on uniform national swings between Labour and the Conservatives:

- **Conservative majority:** a swing from Labour of about **2% points**
- **Labour majority:** a swing from the Conservatives of around **5% points**
- **Labour largest party in House of Commons:** a swing from the Conservatives of around **2% points**

However, calculations based on uniform two-party swings are increasingly being called into doubt. The electoral landscape is very different from that in the 1950s, when two parties dominated and the concept of swing took hold. The large variation in constituency swings at the 2010 election suggests that local factors are important. These are not accounted for in these calculations.

SAFE SEATS

The safest seat in percentage terms is Liverpool Walton, held by new Labour MP Steve Rotherham with a majority of 57.7%. The largest majority in terms of votes is 27,826 for Labour's Stephen Timms in East Ham.

Of the 200 safest seats, 106 are held by the Conservatives, 83 by Labour, four by the Liberal Democrats and seven by other parties.

MARGINAL SEATS

The seat with the smallest majority – four votes – is Fermanagh and South Tyrone, held by Michelle Gildernew for Sinn Fein. Labour's Glenda Jackson has the next smallest majority – 42 votes or 0.1% – in Hampstead and Kilburn.

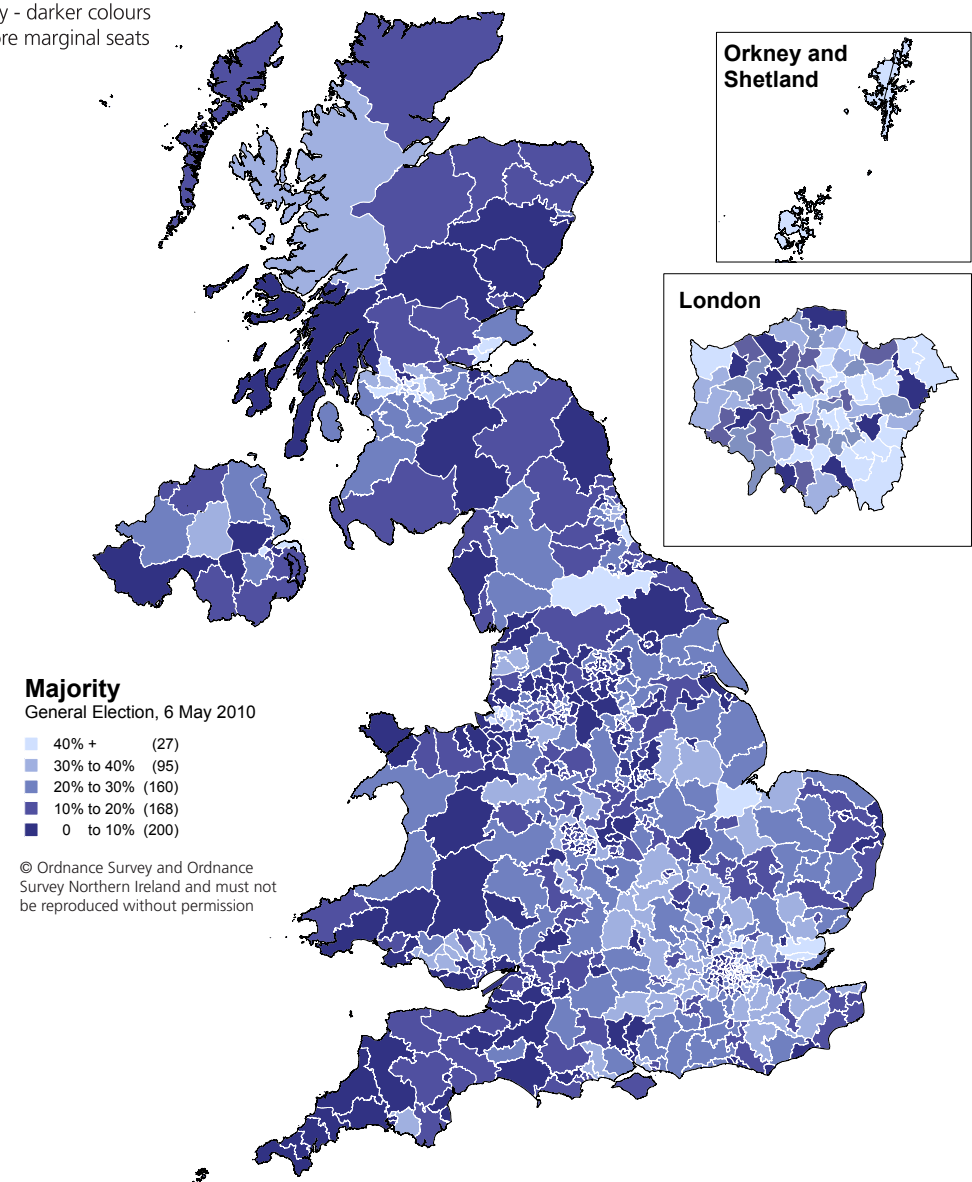
Of the 200 seats with the smallest majorities, the Conservatives hold 83, Labour 79, the Liberal Democrats 27, and other parties 11.

Looking at likely challengers for marginal seats, the Conservatives were second in 82 of the 200 most marginal seats, Labour were second in 73 seats, the Liberal Democrats in 39, and other parties in six.

All this, of course, assumes the next General Election will be fought using the same constituency boundaries and electoral system.

Battlegrounds for the next election

Percentage majority in each constituency - darker colours indicate more marginal seats



Liberal Democrat seats tend to be more marginal than Conservative and Labour seats

