

# The Conservative Party's credibility deficit



## Updated tax and spending commitments



# Contents

	Page
<b>Introduction</b>	<b>5</b>
<b>Summary</b>	<b>7</b>
<b>Methodology</b>	<b>8</b>
<b>Tables</b>	<b>10</b>
<b>Broken promises</b>	<b>13</b>
45,000 new single rooms in the NHS	15
5,000 new prison places	19
Reducing taxes on savings	22
More places for science courses, training and apprenticeships	24
Maternity nurses for all	25
Reinstate the Defence Export Services Organisation (DESO)	28
National Loan Guarantee Scheme	30
<b>Tax cuts</b>	<b>33</b>
Corporation tax and investment allowance changes	35
Freeze council tax for two years	38
Reduce employers' NICs for some small companies	41
Tax cuts for married couples	43
Inheritance tax cuts	50
Reverse impact of abolition of dividend tax credit	53
<b>Tax reversals</b>	<b>57</b>
Raise National Insurance Contributions thresholds	59
Oppose Broadband levy	61
Oppose cider duty increase	63
<b>Tax increases</b>	<b>65</b>
Non-domicile levy	67
<b>Spending reductions</b>	<b>73</b>
Cut Government "waste"	75
Savings on employment and skills programmes	78
Reduce spending on Building Schools for the Future	83
Reduce eligibility for tax credits	85
Reduce eligibility for Child Trust Funds	88
Reduce government spending on consultants and advertising	90
Reduce "bureaucracy" spending by a third	92
Welfare savings	95
Scrap ContactPoint	98
NHS IT Programme	100
Freeze pay and cap pensions for public sector workers	103
Reduce spending on Sure Start outreach workers	105

Scrap some Regional Development Agencies	107
Scrap regional assemblies	109
Scrap identity cards	110
“Cutting the cost of politics”	112
Scrap the Trade Union Modernisation Fund	115
Increase the state pension age	117
<b>Spending promises (costed)</b>	<b>119</b>
Back to work programmes	121
Skills provision	125
Swedish-style New Academies	130
Three infantry battalions	135
More money for rehabilitation	139
Shared equity scheme for social housing tenants	141
More health visitors	143
Increase couple element of Working Tax Credit	147
Stabilisation and Reconstruction Force	150
National Citizen Service	151
<b>Spending promises (uncosted)</b>	<b>153</b>
Pupil Premium	155
New educational centres for excluded children	157
Financial support for school merit systems	158
Increased funding for Ofsted	159
More funding for elite teacher training	160
A school nurse for every school	161
Border Protection Service	162
Residential abstinence-based drug rehabilitation programmes	164
Prison ships	166
Knife scanners	167
All coal-fired power stations retro-fitted with CCS technology	168
Business rate incentives for onshore wind farms	169
More money for the British tourism industry	170
National school sports championships	171
Move 25,000 troops back from Germany	172
Abolish Home Information Packs and compensate HIP providers	174
Matching Council Tax funding for all new homes	175
Central funding for councils to provide weekly rubbish collections	176
Changing, showering and laundry facilities in NHS hospitals	177
Health premium	178
More money for the voluntary sector	179
Tax credits for grandparents who look after children	180

# Introduction

- The Conservative Party wants to face two ways at this election, promising extra tax cuts and spending commitments while at the same time claiming they would reduce the deficit further and faster than Labour's plan to halve it in four years.
- In January, the Labour Party published a list of the promises they had made, showing the amount of extra revenue – from additional tax rises or spending cuts – that the Conservatives would need to pay for all their promises, before they did anything on reducing the deficit.
- The Conservative reaction was confusion and disarray. Established policies like tax cuts for savers and pensioners, more NHS single rooms and extra prison places were all abandoned. David Cameron even wobbled on his flagship policy of tax breaks for married couples before reinstating it just hours after he'd dropped it.
- Over the weeks that followed, the Conservatives tried to focus on the deficit, heightening their language and saying anything less than extreme action on the deficit was "moral cowardliness".
- All of this was abandoned on Monday when George Osborne announced that rather than prioritising the deficit, he would make specific tax promises on national insurance, even though he was unable to identify specific savings to pay for them.

## The Credibility Deficit

- This document sets out the Conservative position today – with a number of promises completely broken and a number still being promoted by the Conservative Party.
- It shows that the Conservatives have broken promises worth £7.275 billion. The broken promises focus on improving public services and helping pensioners, including:
  - 45,000 single rooms in the NHS
  - 5,000 prison places
  - Maternity services for all
  - More places for science and engineering courses
  - Helping pensioners and savers
- They have also now conceded they won't commit to reverse the Government's position on 50p rate of tax and pension relief reform.
- Given their track record in Opposition, it is clear that the promises they make on public services cannot be trusted to be kept if they were to win office. The one pledge to which the Conservatives stick through thick and thin is their inheritance tax giveaway to the 3,000 richest estates in the country.
- The remaining promises are set in this document and show:
  - £19.69 billion of tax cuts and tax reversals that the Conservatives are still promoting as election pledges
  - £9.05 billion of spending promises that the Conservatives are still committed to

- That their plans to raise revenue – from a non-domicile levy and from identified spending cuts – can, at best, hope to raise £6.468 billion.
- In total, that leaves the Conservatives being forced to find £22.272 billion in extra spending cuts or tax rises, even before they have made any moves to cut the deficit earlier than Labour. In fact, the number would be substantially higher, given that the Conservatives also made numerous other promises that, while clearly expensive, are simply too vague to cost properly.
- The impact for the country – in terms of the threat of additional Conservative spending cuts and tax rises – is much larger than £22 billion, given that they are also committed to reducing the deficit further and faster than Labour. But before they can even begin that discussion, the Conservatives need to find a way of paying for every single one of their extra spending pledges and tax cuts with specific and verifiable savings. Until they do, their own credibility deficit on the economy will remain substantial.

# Summary

The first section of the document details the Conservative Party's **Broken Promises**. These are £7.725 billion in pledges that the Conservatives have made and since reversed. See p. 13 – 31 for details. These pledges have not been used in the final “credibility deficit” figure.

The second section of the document sets out the £12.8 billion in **Tax Cuts** that the Conservative Party remain committed to introducing by the end of the next Parliament. See p. 33 – 55 for details.

The third section of the document sets out the **Tax Reversals** that the Conservatives have promised to make, reversing £6.89 billion of tax increases that are being made under Labour’s plans to reduce the deficit. See p. 57 – 63 for details.

The fourth section of the document sets out the **Tax Increases** that the Conservatives intend to make to raise revenue, worth £0.05 billion. See p. 65 – 71 for details.

The fifth section of the document sets out the specific **Spending Reductions** that the Conservatives have identified, worth £6.418 billion. See p. 73 – 117 for details.

The sixth section of the document sets out the costed **Spending Promises** that the Conservatives have made, which total £9.05 billion in additional spending. See p. 119 – 152 for details.

The seventh and final section of the document sets out the **Uncosted Spending Promises** where the Conservatives have made a clear pledge with a substantial cost, but not provided any of the detail necessary to give a precise figure on the cost of that pledge. These pledges have not been used in the final “credibility deficit” figure. See p. 153 – 180 for details.

**In the last year of the next parliament the Conservative commitments total as follows:**

<b>Tax cuts</b>	+	<b>Reversing Labour’s planned tax changes</b>	+	<b>Spending commitments</b>	=	<b>Total costs</b>
£12,800m	+	£6,890m	+	£9,050m	=	£28,740m

**Tax rises + Spending cuts = Total revenue**

£50m + £6,418m = £6,468m

<b>Total costs</b>	-	<b>Total revenue</b>	=	<b>Additional revenue needed from additional tax rises or spending cuts</b>
£28,740m	-	£6,468m	=	£22,272m

# Methodology

## Summary

- This is a factual list of the promises that David Cameron, George Osborne and the Shadow Cabinet have made.
- All of these costed promises have been made or confirmed in 2010.
- The costs of the promises that are detailed in this document are provided either by the Conservatives themselves or analysis from public sources, such as from official public documents, HM Treasury official costings or the Institute for Fiscal Studies (IFS).
- As a rule of thumb, we have chosen to be as generous as possible to the Conservatives.
  - We have estimated their costs at a minimum and their revenues at a maximum.
  - Where the Conservatives have pledged a tax cut but not been clear on the timing of their pledge, we have assumed that it would only come into full, steady state effect in the last year of the next Parliament.
  - Where they have set out details of how they would be able to save money, we have credited them with being able to do so as quickly as possible.
  - And we have not included many expensive promises, such as a national “pupil premium” or a Border Protection Service, if they are too vague to cost at this time.
- All the costings provided in this document are based on the following publicly available sources:
  - The Conservative Party
  - Answers to Parliamentary Questions
  - Analysis provided by HM Treasury under Cabinet Office guidelines for costing opposition policies and disclosed following Freedom of Information Act requests
  - Other public sources, such as the Budget, Pre-Budget Report, Government statements and reports etc.
  - Published analysis by the Institute for Fiscal Studies.
- For costing the policies, we have given the Tories the benefit of the doubt and used their estimates except where there are clearly more recent or more credible numbers available (e.g. from the Treasury official costings).
- In some cases, official numbers have increased the money available to the Tories. In other cases, official costings suggest the Tories have over-estimated revenues or under-estimated costs.

- We have credited them with savings where they have given clear details of how these are being delivered, except where a claim is clearly unrealistic, overlaps with savings the Government is already making or is delayed beyond this Parliament. These have been clearly set out in the text along with the reasoning behind this decision.

### Judging the timing of Conservative promises

- If the Conservative Party have not given an indication as to how soon a promise would be introduced if they were to be elected in 2010, the following process has been followed:
  - Departmental spending programmes (such as new schools, health visitors or skills programmes) are assumed to begin in 2010/11 unless the Conservatives have said otherwise or there are clear reasons not to do so, with their initial start up costs being implemented in that year. If the Conservatives decided to delay introduction of spending programmes, but still fulfil their promises within the Parliament, then more of the costs would fall in the later years, leaving a larger gap for them to explain in Year 5.
  - Saving policies are assumed to begin in 2010/11 unless there are clear reasons not to do so (such as where the Conservatives have said that their savings policies will not take effect until later).
  - For the purposes of the summary figures, tax reduction measures or increases to benefit levels are assumed to be delayed such that they are at their steady state cost only in the final year of the Parliament, unless the Conservative Party have indicated that they would implement them earlier. Indicative figures are provided for earlier possible years of introduction.
  - Tax increase measures are assumed to be introduced in 2010/11 unless there are clear reasons not to do so.
  - Note: if tax reductions are introduced sooner, or tax rises are delayed, there is a larger gap in the overall credibility of their plans to be explained.
- Each costing has a table for its cost in each year, with the figure in bold being that used for the purposes of any summations from this document. Where there are costing figures available for years before the Conservatives are assumed to introduce a policy, these have been provided in brackets but not used for any final calculations, as in the example below.

### Illustrative table: Tax Cuts for Married Couples

2010/11	2011/12	2012/13	2013/14	2014/15
(£4,900m)	(£4,900m)	(£4,900m)	(£4,900m)	<b>£4,900m</b>

- If a costing is not available, the policy commitment has been included at the end of this document as an illustration but is not factored into any calculations.

# Tables

## Broken promises

BROKEN PROMISES	<i>(£m net yield to the Exchequer)</i>				
	2010/11	2011/12	2012/13	2013/14	2014/15
45,000 new single rooms in the NHS	-1,903	-1,903	-1,903	-1,903	-1,903
Reducing taxes on savings	-4,100	-4,100	-4,100	-4,100	-4,100
More places for science courses, training and apprenticeships	-600	-600	-600	-600	-600
3,500 brick and steel prison places on existing sites	-125	-125	-125	-125	-125
1,500 new prison places	-46	-46	-46	-46	-46
Maternity nurses for all	-492	-492	-492	-492	-492
Reinstate the Defence Export Services Organisation (DESO)	-2	-9	-9	-9	-9
<b>Total value of broken promises</b>	<b>-7,268</b>	<b>-7,274</b>	<b>-7,274</b>	<b>-7,274</b>	<b>-7,275</b>

## Remaining promises

	<i>(£m net yield to the Exchequer)</i>				
	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Net impact of Conservative pledges on taxation and public spending</b>	<b>-1,404</b>	<b>-6,906</b>	<b>-7,733</b>	<b>-7,929</b>	<b>-22,272</b>

TAX CUTS	<i>(£m net yield to the Exchequer)</i>				
	2010/11	2011/12	2012/13	2013/14	2014/15
Net corporation tax and investment allowance changes	0	0	0	0	0
Freeze council tax for two years	0	-700	-1,400	-1,400	-1,400
Reduce employers' NICs for some small companies - new businesses	-250	-250	0	0	0
Reduce employers' NICs for some small companies - businesses with fewer than 5 employees	-225	0	0	0	0
Tax cuts for married couples					-4,900
Inheritance tax cuts					-1,500
Reverse impact of abolition of divided tax credit					-5,000
<b>Total minimum tax cuts</b>	<b>-475</b>	<b>-950</b>	<b>-1,400</b>	<b>-1,400</b>	<b>-12,800</b>

TAX REVERSALS	<i>(£m net yield to the Exchequer)</i>				
	2010/11	2011/12	2012/13	2013/14	2014/15
Raise NICs thresholds	0	-6,000	-6,300	-6,300	-6,700
Oppose broadband levy	-90	-175	-175	-175	-175

Oppose cider duty increase	-15	-15	-15	-15	-15
<b>Total minimum tax cuts</b>	<b>-105</b>	<b>-6,190</b>	<b>-6,490</b>	<b>-6,490</b>	<b>-6,890</b>

<i>(£m net yield to the Exchequer)</i>					
<b>TAX INCREASES</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Non-domicile levy	150	100	50	50	50
<b>Total maximum tax increases</b>	<b>150</b>	<b>100</b>	<b>50</b>	<b>50</b>	<b>50</b>

<i>(£m net yield to the Exchequer)</i>					
<b>SPENDING REDUCTIONS</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Cut Government "waste"	0	0	0	0	0
Train to Gain	847	847	847	847	847
Diploma roll-out	70	70	70	70	70
Regional Development Agency Funding	50	50	50	50	50
New Deal and employment programmes	1,140	1,140	1,140	1,140	1,140
Learning and Skills Council	85	85	85	85	85
Adult Careers Service	40	40	40	40	40
Careers Element of Connexions	210	210	210	210	210
Reduce spending on Building Schools for the Future	428	444	528	525	525
Reduce eligibility for tax credits	45	45	45	45	45
Reduce eligibility for Child Trust Funds	225	225	225	225	225
Reduce government spending on consultants and advertising	500	1,000	350	350	350
Reduce PFR spending by one third	250	250	250	250	1,000
Reduce spending on finance, HR, property and IT functions by one third	0	0	0	0	0
Welfare savings	0	0	0	0	0
Scrap Contact Point	51	43	41	41	41
NHS IT programme	0	0	0	0	0
One year public sector pay freeze	0	1,500	1,500	1,500	1,500
Cap on the biggest public sector pensions	0	0	0	0	0
Reduce spending on Sure Start outreach workers	79	79	79	79	79
Scrap some Regional Development Agencies	112	112	112	112	112
Scrap regional assemblies	18	18	18	18	18
Scrap identity cards	33	33	33	0	0
Increase costs of food and drink in Parliamentary cafeterias	6	6	6	6	6
Reduce ministerial salaries and then freeze for the rest of the Parliament	0	0	0	0	0
Reduce the number of MPs in the following Parliament	0	0	0	0	0
10% reduction in the costs of Parliament	50	50	50	50	50

Rule changes on government lobbying	10	10	10	10	10
Abolish the Standards Board for England	10	10	10	10	10
Abolish the Parliamentary Communications Allowance	0	0	0	0	0
Cut the number of ministerial cars	5	5	5	5	5
Increase the state pension age	0	0	0	0	0
Scrap the Trade Union Modernisation Fund	2	2	2	2	2
<b>Total maximum spending reductions</b>	<b>4,264</b>	<b>6,272</b>	<b>5,704</b>	<b>5,668</b>	<b>6,418</b>

SPENDING PROMISES	<i>(£m net yield to the Exchequer)</i>				
	2010/11	2011/12	2012/13	2013/14	2014/15
"The Work Programme"	-1,210	-1,210	-1,210	-1,210	-1,210
"Work Together"	-3	-3	-3	-3	-3
"Work Clubs"	-7	-7	-7	-7	-7
"Work for Yourself"	-50	-50	-50	-50	-50
Service Academy	-20	-20	-20	-20	-20
Work Pairings	-100	-100	-100	-100	-100
Apprenticeships and pre-apprenticeships	-775	-775	-775	-775	-775
Group Training Associations	-5	-5	-5	-5	-5
Business Skills Development fund	-60	-60	-60	-60	-60
Community Learning Fund	-100	-100	-100	-100	-100
NEETS fund/FE places	-100	-100			
Sector Skills Councils	-35	-35	-35	-35	-35
All-age Careers Service	-285	-285	-285	-285	-285
Young Apprenticeships	-70	-70	-70	-70	-70
Swedish-style new academies (capital)	-428	-444	-528	-525	-525
Swedish-style new academies (running)	-153	-246	-366	-473	-580
Three infantry battalions	0	-778	-105	-105	-105
More money for rehabilitation	0	-13	-41	-97	-183
Shared equity scheme for social housing tenants	-299	-299	-299	-299	-299
Additional health visitors	-188	-188	-188	-188	-188
Health visitor training	-40	-40	-40	-40	-40
Child Health Inequalities Fund	-10	-10	-10	-10	-10
Increase couple element of Working Tax Credit					-3,100
Stabilisation and Reconstruction Force	-500	-500	-500	-500	-500
National Citizen Service	-800	-800	-800	-800	-800
<b>Total minimum spending increases</b>	<b>-5,238</b>	<b>-6,138</b>	<b>-5,597</b>	<b>-5,757</b>	<b>-9,050</b>

# Broken promises

This section sets out policies worth £7.725 billion which the Conservatives have previously promised but which they have dropped since the publication of Labour's analysis of their tax and spending plans in January. These pledges have not been used in the final "credibility deficit" figure.



## 45,000 new single rooms in the NHS

### Summary

- The Conservative Party promised in 2008 to create 45,000 additional single rooms in the NHS estate.
- The Conservatives estimated that this policy would cost an average of £314m a year over five years. But the costs they estimated for each additional single room were based on a small number of Freedom of Information requests that focussed on the easiest and most inexpensive cases.
- An HM Treasury/Department of Health costing of the policy, using more accurate Government figures for the cost of each additional single room, found that it would in fact cost £1,903m per year over five years.
- The Conservatives have now dropped this promise.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£1,903m</b>	<b>£1,903m</b>	<b>£1,903m</b>	<b>£1,903m</b>	<b>£1,903m</b>

### The Conservative Commitment

- Andrew Lansley announced his policy of building 45,000 more single rooms in the NHS over five years at the Conservative Party Conference in 2008.

"I am determined that the NHS will be equipped to meet standards of dignity and safety, and provide real choice to patients – the kind of choices which private patients take for granted.

"So today I am announcing that within five years, under a Conservative Government, every patient will be given the opportunity to choose a single room when booking an operation in hospital.

"Every hospital will have the single rooms they need to isolate infected patients.

"All mothers in maternity care will have access to a single room.

"All mental health patients will have single rooms.

"No patient will be in mixed-sex accommodation."

*Andrew Lansley, speech to Conservative Party Conference, 29 September 2008*

'Dignity and safety' – A major programme to ensure that single rooms are available for all patients who need one on grounds of medical safety or to maintain personal dignity. This will mean:

\* A guarantee that all mothers giving birth in NHS hospitals who want a single room will have one.

\* A guarantee that everyone staying on mental health wards will have a single room.

\* A pledge that seven percent of hospital beds will be turned into single rooms specifically reserved so that patients who have, or are suspected of having, a hospital infection can be immediately isolated.

'Real room choice' – All patients admitted to hospital for planned care will be able to choose whether they want to stay in a single room or on a bay while they are treated in hospital.

Together these two commitments will mean:

\* Nearly doubling in the number of single rooms in the NHS after five years – 45,000 more single rooms

\* An increase in the proportion of single rooms in NHS hospitals from 28 per cent to 55 per cent.

\* £1.57 billion of capital funding over five years to allow NHS hospitals to be able to provide patients with the accommodation that they choose.

*Conservative Party press release, 29 September 2008*

### Basis of Costing

- The cost of this policy was revealed in a Parliamentary written answer in October 2008.

**Mark Hoban:** To ask the Secretary of State for Health whether (a) his Department's officials and (b) NHS officials have been instructed to review the cost to the public purse of providing more single rooms within the NHS estate since 27 September 2008.

**Ann Keen:** In October 2008 the Department's officials reported a capital cost estimate of about £9.51 billion (at Quarter 1 2008 prices) for providing 45,000 more single rooms, £211,401 per bed, while maintaining the existing bed capacity of the national health service estate. This costing was based on standard NHS costing methodologies.

*Hansard, 28 October 2008: Column 922W,*

<http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm081028/text/81028w0029.htm#08102878000224>

- More details of the methodology used to reach this costing were disclosed on 16 September 2009 following a Freedom of Information Act request.

Assuming that total costs are equally distributed over five years: total cost is £9,513m to provide 45,000 beds.

The methodology that has been used is as follows:

- 28-bed L-shaped wards (14% single rooms) converted to 50% single. This changes them from 28-bed wards with 24 bay beds and 4 single rooms, to 21-bed wards with 10 bay beds and 11 single rooms – net gain of 7 additional single rooms per ward converted and net loss of 7 total beds.
- For every 4 wards converted (28 beds lost net), 1 new 28-bed ward will be built to maintain capacity. This will be 50% single rooms (14 single rooms) in line with departmental guidance on new buildings.
- The single rooms provided from the new build wards will count towards the 45,000 additional single rooms target. This means that 30,000 of the new rooms will be provided in refurbished wards, and 15,000 from newly built wards.
- The unit costs are c. £127,000 for each single room converted in an existing ward, and c. £190,000 per bed in newly built wards. These figures are from DH departmental cost allowance guides.
- 30,000 single rooms are created by converting 4,286 existing wards, at a total cost of £3,810,000,000. This displaces 30,000 beds.
- 1,072 new wards are built to account for displaced capacity at a cost of £5,703,040,000. This creates 30,000 new beds to account for the displacement. 15,000 of these are contained in single rooms.

This data is based on current actual costs across the estate, from Department of Health Cost Allowance Guides, as advised by the Department of Health.

*HM Treasury Costing, Released following a Freedom of Information Request, 16 September 2009,*

[http://www.hm-treasury.gov.uk/d/foi\\_single\\_rooms\\_patients\\_costing.pdf](http://www.hm-treasury.gov.uk/d/foi_single_rooms_patients_costing.pdf)

## The Conservative response

- The Conservatives continue to reject this costing, but they have also dropped their commitment, saying now that “we are only committed to increasing the number of single rooms over time, and within existing resources”.

“The Treasury already released this back-of-the-envelope costing in October 2008. They still haven’t said where they got their data from – our costing is based on precise figures given by hospitals in response to FOI requests. The unit costs per single room in the DH results are not supported any such data.

“As our draft manifesto shows today, we are only committed to increasing the number of single rooms over time, and within existing resources. To suggest otherwise is deliberately misleading.”

*Conservative Party press release, 4 January 2010, p. 10*

- The health chapter of the Conservative draft manifesto, published shortly after Labour’s costings document was released, has new wording for their single rooms policy, with no reference to the specific commitment to build 45,000 new single rooms over a Parliament.

“Single rooms are needed to control infection and provide safety and privacy. We will end the scandal of mixed-sex accommodation and increase the number of single rooms in hospitals, as resources allow.”

*Conservative Party, Draft Manifesto 2010, 4 January 2010, p. 8*

- But when asked about the status of the policy of providing 45,000 new single rooms, David Cameron twice denied that it had been dropped, saying “it hasn’t gone” and that “I think that

we will be able to make a lot of progress”, while admitting that “it’s not a pledge that we can guarantee in the parliament”.

David Cameron: In our health manifesto this week we do believe that more single rooms in hospitals are a very good thing for two reasons, one is it’s what people want, also it’s good for infection control and if you go round a hospital today and ask them if you built this again would you have more single rooms, they say yes, but we’re not able to make a pledge for a parliament so it is an aspiration to increase the number of single rooms, we believe because we unlike the other parties we protected the health budget and said that that will grow in real terms we believe we will be able to make progress but we were very clear in the manifesto about what we promised.

Evan Davis: So it’s gone?

David Cameron: No it hasn’t...

Evan Davis: It’s a decade of aspiration but if you can’t do it, you can’t pay for it, it’s gone. This is what happens?

David Cameron: No Evan I think because we’re making an exception for the NHS. I think that’s a very important decision that the Conservatives made...

Evan Davis: You still haven’t got the money.

David Cameron: Well no, well as I said we have set out that we think we can make progress but it’s very clear that it’s not a pledge that we can guarantee in the parliament.

*BBC R4 Today, 7 January 2010*

Andrew Marr: Let me ask you about one other sending related matter. Very, very important to a lot of people the promise that was made about getting single rooms in hospitals across the board. Andrew Lansley made that promise. Is that still offered?

David Cameron: I made this very clear at the time of our health manifesto. One of the points of having a draft manifesto is to be very clear about what you can commit to clearly and what is something you would like to do and is an aspiration. Now single rooms we support because it’s good for patient choice and good for infection control ...

Andrew Marr: You said within 5 years, you said.

David Cameron: We can’t repeat that commitment and that’s why it’s so clearly in our ... now it hasn’t gone but ...

Andrew Marr: The commitment was within 5 years this will happen and what you’re saying is you can’t say that anymore.

David Cameron: Yes but because we are protecting the NHS budget we are the only party that said that health spending is different. We are going to protect that and it will grow in real terms. I think we will be able to make quite a lot of progress on building single rooms because actually every time you go to a hospital if you ask them, if you had your time again would you have more single rooms almost all of them say ...

Andrew Marr: Say yes

David Cameron: Say yes so there’s big progress that can be made but part of a point of having a draft manifesto is to be very clear including on programmes like this about what we can commit and what in these very difficult times we can’t.

*The Andrew Marr Show, 10 January 2010*

## Notes

### *Reasons for the gap between HMT/DH costing and Conservative costing*

- The HMT/DH costing is based on current actual costs across the NHS estate. The Conservatives based their costing on a small number of FOI requests to NHS Trusts about the cost of recent single room conversions. They extrapolated from the cheapest costs, rather than the median costs. Their 2008 press release gives details of only six requests, with a total increase of just 80 single rooms – far short of the 45,000 they want to build.

We have asked NHS Trusts under the Freedom of Information Act to provide examples of the cost of single room conversions within their hospitals. Examples of such conversions are below:

- East Cheshire NHS Trust. The Trust is planning to add a single room to the Intensive care Unit/High Dependency Unit suite commencing in or around November/December 2008. It will remain an 8 bed ward encompassing the facility of a single room. The total cost of the refurbishment is estimated to be £20,000.
- North Essex Partnership NHS Foundation Trust. The Trust is building a new older adults unit, which will have 34 single bedded rooms. It has said that the proportional cost per single room is £43,726.00 (excl VAT) each.
- Hereford Primary Care Trust. The trust has recently converted an administrative area into a 14-bed ward with ten single rooms. The total cost of the project was £527,000, giving an approximate cost per room of £38,000.
- South West London and St George's Mental Health NHS Trust. The trust provided details of a recent ward refurbishment at Tolworth Hospital, which led to an increase in the number of single rooms of ten, at a cost of around £14,000 per new single room. It also provided details of a planned refurbishment at the same hospital which will increase the number of single rooms by 13 at cost of around £15,000 per new single room.
- Clatterbridge Centre for Oncology NHS Foundation Trust. A total of three wards will be refurbished at the trust. The number of beds per ward will be 28 beds prior to the refurbishment and 28 beds post refurbishment. The number of single bed rooms prior to each refurbishment is 4; following refurbishment, this will increase to 8 single rooms per ward. The approximate cost per single room is £50,000.
- Bedford Hospital NHS Trust. The Trust has recently undertaken a ward improvement programme. This includes increasing bed spaces and increasing the number of single rooms, by relocating offices, for example, but there is no change in the number of beds overall. As a result, the number of single rooms has increased by nine, at a cost of £24,000 per new single room.

On the basis of the above examples, we have assumed that £35,000 per bed would be a cautious estimate of the cost of single room conversions. Therefore we have cautiously estimated the cost of building 45,000 single rooms would to be £1.57 billion, or £314 million a year over five years.

*Conservative Party press release, 29 September 2008*

- This methodology is inadequate.
- The six single room conversion projects the Conservatives asked about were made where this was most straightforward and cost-effective – not as a systematic attempt to increase single room capacity. All of them were in NHS Trusts which already had space suitable for conversion, and all were small in relation to each Trust's total number of beds. In effect, they took the cost of the "low-hanging fruit", and assumed that this could be scaled up across the NHS.
- Another fundamental problem with the Conservative costings is that they failed to take account of any displacement. The Conservatives failed to take into account the fact that single rooms take up more space than beds on open wards. For the proposed new single bedrooms to fit into the existing ward footprint there would have to be approximately seven beds displaced. Therefore, for every four standard wards altered there would have to be one new 28 bed ward containing 50% single bedrooms. The HMT/DH costing takes this into account.

## 5,000 new prison places

### Summary

- The Conservatives pledged to introduce 5,000 additional prison places, including 3,500 new “brick and steel” prison places on existing sites, and 1,500 places specifically allocated to reducing overcrowding.
- After the publication of Labour’s analysis of their tax and spending plans, which calculated that building 5,000 new prison places would cost a total of £851 million, or £170.2 million per year over a parliament, the Conservatives dropped this policy.

	2010/11	2011/12	2012/13	2013/14	2014/15
1,500 new prison places	<b>£45.6m</b>	<b>£45.6m</b>	<b>£45.6m</b>	<b>£45.6m</b>	<b>£45.6m</b>
3,500 new “brick and steel” prison places on existing sites	<b>£124.6m</b>	<b>£124.6m</b>	<b>£124.6m</b>	<b>£124.6m</b>	<b>£124.6m</b>

### The Conservative Commitment

- The Conservatives committed in 2008 to providing over 1,500 new prison places as the prison estate is redeveloped, in order to reduce overcrowding.

“Our proposals envisage that the developers would be required to provide accommodation sufficient to house the prisoners currently accommodated by the existing population. However, at present many of these sites are overcrowded, and although within operational capacity are above their certified normal accommodation. We would require new capacity to be provided at uncrowded levels. Therefore, re-building existing provision would increase certified normal accommodation by over 1,500 places.”

*Conservative Party, “Prisons with a Purpose: Our Sentencing and Rehabilitation Revolution to Break the Cycle of Crime, Security Agenda Policy Green Paper No. 4”, March 2008, p. 98*

- In addition the Conservatives proposed to sell off part of the old prison estate and to spend £250m on 3,500 new brick and steel units, as part of a plan to increase prison accommodation by 5,000 places.

“Building on Policy Exchange’s work, we calculate that even after allowing for the cost of providing uncrowded replacements for existing jails, re-developing up to 30 existing prisons would release up to £250 million. This money would provide almost 3,500 prefabricated brick and steel units, with a life expectancy of at least 30 years, to expand existing prison sites, and thereby relieve overcrowding throughout the estate.

“Taking the additional 1,500 places in the new prisons, together with the 3,500 built with the money released from redevelopment, this programme would enable us to increase accommodation by a total of more than 5,000 places over Labour’s plans, taking the total operational capacity in the estate to over 100,000, in a rebuilding programme that would redevelop almost a fifth of the entire prison estate.”

*Conservative Party, “Prisons with a Purpose: Our Sentencing and Rehabilitation Revolution to Break the Cycle of Crime, Security Agenda Policy Green Paper No. 4”, March 2008, p. 98*

### Basis of Costing

#### 1,500 new prison places

- The Conservatives estimated that the cost of building each of these new places would be £150,000. They said that this was in line with the Carter Review, which in fact gives the capital cost per place as £152,000.

"We have used a marginal cost per prisoner of £150,000 for new prisons – in line with given in the Carter report."

*Conservative Party, "Prisons with a Purpose: Our Sentencing and Rehabilitation Revolution to Break the Cycle of Crime, Security Agenda Policy Green Paper No. 4", March 2008, p. 98*

<b>Table 2.1: Unit costs of short-term build options</b>			
<b>Construction Type (Lifetime)</b>	<b>Total places</b>	<b>Capital cost per place</b>	<b>Capital cost per place per year of lifespan</b>
Houseblocks (60 years)	3,992	£219,000	£3,660
Rapid Build Residential Unit (40 years)	872	£178,000	£4,400
Temporary Custodial Module (25 years)	544	£108,000	£4,300
Temporary Custodial Facility (25 years)	600	£122,000	£4,800
New Prison (100 years)	2,461	£152,000	£1,520

*Lord Carter's Review of Prisons, "Securing the Future: Proposals for the efficient and sustainable use of custody in England and Wales", December 2007, p. 21.*

- 1,500 prison places at £152,000 each would cost £228m in total, or £45.6m per year over a five-year parliament.
- Since this policy was explicitly aimed at reducing overcrowding, this costing assumed that there would be no additional running costs: the additional prison places provided were not intended to be used by additional prisoners.

### 3,500 new "brick and steel" prison places on existing sites

- The Conservatives' own estimate of capital costs of £250m was based on their own estimate that a new brick and steel place would cost £70,000. They calculated this on the basis of a 2006 NAO report.

"We have used a marginal cost per prisoner of £150,000 for new prisons – in line with that given in the Carter report, 20 per cent higher than Policy Exchange's 'high' estimate and £40,000 more than a cost recently quoted by Justice Secretary Jack Straw (Address to the Prison Governors' Association, Buxton, October 2007). We have also assumed that brick and steel expansions at existing prison sites could be provided at a cost of £70,000 per prisoner (based on a cost given by the National Audit Office of £63,000)."  
*Conservative Party, "Prisons with a Purpose: Our Sentencing and Rehabilitation Revolution to Break the Cycle of Crime, Security Agenda Policy Green Paper No. 4", March 2008, p. 98, note 64*

- However, the Prison Service can no longer use the units upon which the Conservatives based their estimates. This is because of concerns over security, the need to provide accommodation for prisoners which meets standards of decency (lack of daylight was a problem, for instance) and design improvements.
- A new design of brick and steel units is now used, called Rapid Build Residential Units, which are improved in terms of security and decency factors, and also include rehabilitative facilities for activities such as education and training. According to the Ministry of Justice's Carter Review, the cost of these units is £178,000 per place, including the necessary expansions in ancillary services. The capital cost of providing 3,500 places in Rapid Build Residential Units is therefore £623 m.

<b>Table 2.1: Unit costs of short-term build options</b>			
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(Lifetime)			per year of lifespan
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New Prison (100 years)	2,461	£152,000	£1,520

*Lord Carter's Review of Prisons, "Securing the Future: Proposals for the efficient and sustainable use of custody in England and Wales", December 2007, p. 20*

- Spread evenly over a five-year parliament, this works out at £124.6m per year.
- The Conservative plan to pay for this policy by selling off Victorian prisons was reported as having been dropped in December 2009 by Channel 4 News, quoting a "senior Conservative".

"Many Victorian jails are listed buildings. As a result they are very expensive to convert so developers don't expect to pay much for them. He [property developer Trevor Osborne] paid just a pound for Oxford jail but invested £35 million redeveloping it. It's no surprise then to find the Tories backtracking on their pledge. Who on Earth would want to buy a crumbling Victorian jail? But Conservatives thought they'd sell 30 like this to fund 5,000 new prison places but they've realised that's simply not realistic so they're having a rethink so fundamental it will overturn decades of Tory policy. Because the party that used to say prison works, now has a new mantra - rehabilitation is better than incarceration. A senior Conservative told Channel 4 News that the Victorian prison sell-off had been overtaken by events, and while a Tory government would provide several thousand more prison places, public spending cuts meant 5,000 was no longer party policy."  
*Cathy Newman, Channel 4 News, 2 December 2009*

### The Conservative retraction

- The Conservatives now say that this is not their policy, and that they do not have any commitment "to build a fixed number of prison places".

"Our commitment is to end early release and introduce min max sentencing for certain offenders, not to build a fixed number of new prison places. How many new prison places are required to fulfill *[sic]* our commitment will depend on progress of Labour's own building programme, prison population levels and the success of our rehabilitation revolution."  
*Conservative Party press release, 4 January 2010, p. 11*

- This is despite the fact that at the time, their website contained a commitment to build "5,000 places above Labour's plans".

"To ensure that we have adequate space to house offenders, our plans for renewal of the prison estate will increase capacity by 5,000 places above Labour's plans."  
*Conservative Party website, Crime and Justice policy,*  
[http://www.conservatives.com/Policy/Where\\_we\\_stand/Crime\\_and\\_Justice.aspx](http://www.conservatives.com/Policy/Where_we_stand/Crime_and_Justice.aspx)

- This has now been removed.

## Reducing taxes on savings

### Summary

- In 2009, the Conservatives pledged to reduce tax on savings immediately as a boost for savers.
- After the publication of Labour's analysis of their tax and spending plans in January 2010, the Conservatives announced that this was no longer their policy.
- The Conservatives say that they will "restore our savings culture", but they now have no specific policies on how they would do this.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£4,100m</b>	<b>£4,100m*</b>	<b>£4,100m*</b>	<b>£4,100m*</b>	<b>£4,100m*</b>
*The Conservative Party have not provided costs for future years so a flat projection has been assumed.				

### The Conservative Commitment

- In January 2009, David Cameron pledged to reduce tax for savers and raise tax allowances for pensioners.

"In order to help deal with Labour's Debt Crisis and help turn Britain from a spend, spend, spend society into a save, save, save society it is time to abolish income tax on savings for everyone on the basic rate of tax, with top rate taxpayers continuing to pay the same and it is time to raise the tax allowance for pensioners by £2,000."

*David Cameron, Monthly Press Conference, 5 January 2009*

### Basis of Costing

- The Conservative Party released the following costings of this policy

According to HM Treasury figures, abolishing tax on savings for basic rate taxpayers would cost £2.6 billion (although the actual cost next year would probably be lower because interest rates have fallen). Raising age related personal allowances by £2,000 would cost £1.5 billion. So the total cost of the package would be £4.1 billion.

*Conservative Party Press Release, 5 January 2009*

"We've called for the Government to slow the growth of spending and use the money, £4.1 billion, properly costed, to help the innocent victims of the recession by abolishing the basic rate of tax on savings income and cutting taxes for pensioners."

*David Cameron, Telegraph, 26 March 2009*

### The Conservative retraction

- The Conservatives responded to Labour's inclusion of this policy in its analysis of their tax and spending plans by saying that the policy was merely a submission to the 2009 Budget.

"This policy was explicitly proposed as a submission for the 2009 Budget, and would have been funded by a £5bn reduction in spending in 2009-10 relative to Labour's plans. Given that Labour sadly ignored our submission and spent the money on other things we have made it clear that we have not to date committed to introduce this policy after the election."

*Conservative Party press release, 4 January 2010, p. 4*

- David Cameron now says that this "is not something we can currently pledge to do".

Evan Davis: Sorry let's take a couple of examples, you've said it's time to abolish income tax on savings for everyone at the basic rate of tax, that's just not going to happen, that's way off?  
David Cameron: That's a pledge we made last year..  
Evan Davis: It's gone then?  
David Cameron: Well let me explain. In 2009 we said to the government look, in this year what you ought to do is spend £5 billion less than you plan and instead do this thing, abolishing savings on the basic rate in the budget. They didn't do that. That was if you like, it was a budget submission so that is not something we can currently pledge to do.  
*BBC R4 Today, 12 January 2010*

- However, in February 2010 the Conservatives published "A New Economic Model: Eight Benchmarks for Britain", which included a commitment to "restore our savings culture". It contained no specific policy proposals to say how they would do this.

"We will restore our savings culture and encourage people to save more for retirement."  
*Conservative Party, "A New Economic Model: Eight Benchmarks for Britain", 2 February 2010, p. 10*

- In his speech introducing the document, George Osborne spoke of building a "savings society" – a clear echo of David Cameron's abandoned pledge to "turn Britain from a spend, spend, spend society into a save, save, save society".

"From the ashes of the debt boom we will build a saving society."  
*George Osborne, speech, 2 February 2010*

## More places for science courses, training and apprenticeships

### Summary

- In 2009, the Conservatives pledged to boost science courses, training and apprenticeships as part of a package that they costed at £600m.
- After the publication of Labour's analysis of their tax and spending plans in January 2010, the Conservatives announced that this was no longer their policy.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£600m</b>	<b>£600m</b>	<b>£600m</b>	<b>£600m</b>	<b>£600m</b>

### The Conservative Commitment

- In April 2009, Shadow Chancellor George Osborne announced a £600m package of proposals to boost science skills, training and apprenticeships.

George Osborne has called on Alistair Darling to provide more places for science courses, training and apprenticeships in the Budget in order to help tackle the jobs crisis facing young people. George, the Shadow Chancellor, warned that without urgent action "we are going to lose the next generation of engineers and scientists" and stressed the Budget must help the thousands of graduates and people on apprenticeships.

He outlined a package of proposals worth £600 million to boost science skills, training and apprenticeships:

- £350 million to provide funding for 25,000 new Masters Degrees in science, technology, engineering and mathematics (STEM)
- £100 million to fund an extra 50,000 learners aged over 25 in STEM and other subjects
- £150 million to support the thousands of apprentices who risk losing their training place during a recession

George said the package of measures is not just about helping in the short term: "It is about building in the long term an economy in which we save and invest instead of borrowing and spending."

*Conservative Party press release, 19 April 2009*

[http://www.conservatives.com/News/News\\_stories/2009/04/Osborne\\_calls\\_for\\_action\\_to\\_save\\_next\\_generation\\_of\\_scientists\\_and\\_engineers.aspx](http://www.conservatives.com/News/News_stories/2009/04/Osborne_calls_for_action_to_save_next_generation_of_scientists_and_engineers.aspx)

### Basis of Costing

- The Conservative Party provided the costings in their press release above.

### The Conservative retraction

- The Conservatives said in January that this is no longer their policy.

"Labour have completely misrepresented our position on this policy. Our proposal for more science courses for the summer of 2009 and apprenticeships was fully funded from £5bn in savings generated by reducing the growth rate of government spending in 2009-10. As we made clear at the time, this was a proposal to Alistair Darling ahead of the 2009 Budget, which we argued should be implemented in 2009/10. We are therefore not committed to implementing this policy in government - it was a submission for 2009-10 only and we made that clear at the time."

*Conservative Party press release, 4 January 2010, p. 10*

## Maternity nurses for all

### Summary

- In 2008 the Conservatives promised to introduce a version of the Dutch “kraamzorg” system of maternity nurses.
- They never produced a costing for this policy but an HM Treasury costing found the annual costs below.
- After the publication of Labour’s analysis of their tax and spending plans, the Conservatives formally dropped this policy.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£492m -</b> £2,800m	<b>£492m -</b> £2,800m	<b>£492m -</b> £2,800m	<b>£492m -</b> £2,800m	<b>£492m -</b> £2,800m

### The Conservative Commitment

- Shadow Children, Schools and Families Secretary Michael Gove said in February 2008 that he and Shadow Health Secretary Andrew Lansley were investigating “the Dutch system of kraamzorgs, or maternity nurses for all”, “to see what we can learn from Holland and apply in the UK”.

“David Cameron has asked Andrew Lansley, the Shadow Secretary of State for Health, and I [sic] to investigate what we can do to help parents in the crucial first months and early years when the pressures are so intense, and the conditions are often set for children’s futures.

“He wants to ensure every child gets the best possible start, with government acting to help support families at this time. David knows that the state doesn’t have all the answers – one of the reasons why he’s so supportive of civil society groups such as Homestart, which allow experienced parents to help new mums and dads learn the ropes and cope with the stresses.

“But he also believes we have a duty to investigate what works best for families and learn from countries, such as the Netherlands, where children enjoy much better outcomes than we do here.

“The Dutch system of kraamzorgs, or maternity nurses for all, helps parents in the vital first few days, ensuring there’s an experienced extra pair of hands there to guarantee both mother and baby get rest, while providing expertise on everything from bathing to breastfeeding.

“David has asked us to see what we can learn from Holland and apply in the UK. If we can provide a better level of support for parents in the first months, we may be able to help crack some of the problems of inequality and social mobility which hold us back as a country, by ensuring that every child gets the sort of support that currently only the wealthier can buy.”

*Michael Gove, Observer, 3 February 2008*

- David Cameron restated his interest in the policy in his speech to Conservative Spring Forum in March 2008.

“In the last few weeks Michael Gove, Andrew Lansley, Maria Miller and Stephen O’Brien have been looking at the Dutch system called kraamzorg, which provides dedicated maternity nurses for every new mother in their home in the vital first few days. That’s the sort of support we need here in Britain for everyone - not just those parents who can afford to pay for it.”

*David Cameron, speech to Conservative Spring Forum, 15 March 2008*

- Although little additional detail was given about the policy, after it was first announced it was highlighted by Shadow Children’s Minister Maria Miller at Conservative Party Conference in 2008 and by Shadow Children, Schools and Families Secretary Michael Gove in a speech to Barnardo’s in 2009.

“Because we want families to be stronger and more resilient we are also committed to introducing our

version of the Dutch kraamzorg system. We would give mothers and fathers practical support from a maternity nurse in the home in the first few days after a child is born -help with the things that need time: like establishing breast feeding, helping older children adjust to the new arrival – and the practical things like preparing meals, all of which will help the family get into the routine of having a new baby in the house. The sort of practical support which can make all the difference. It is perhaps unsurprising that whilst the UNICEF ranked the UK as the worse place to grow up, they ranked the Netherlands top.”

*Maria Miller, speech to Conservative Party Conference, 30 September 2008*

“It is undoubtedly the case that family background and a million different factors - from what happens in the womb to the presence of a consistent male authority figure – can profoundly influence a child’s prospects and ability to achieve. And policies to give every child the best possible start in life are crucial – which is why we have devoted attention to developing a universal health visitor service, to focussing Surestart on the most disadvantaged, on implementing a version of the Dutch kraamzorg or state maternity nurse system and on supporting parental commitment.”

*Michael Gove, speech to Barnardo’s, 9 March 2009*

## Basis of Costing

- A Treasury costing of this policy was disclosed on 2 December 2009 following a Freedom of Information Act request. This gave a range of costs between £492m and £2.8bn per annum, based on a policy of providing “a dedicated maternity nurse for every new mother in their home for up to six hours a day in the first week” – the wording of an Observer front-page story, briefed by the Conservatives, on 3 February 2008.

Officials have been requested to cost the following opposition policy: “A Conservative government would aim to provide a dedicated maternity nurse for every new mother in their home for up to six hours a day in the first week”

There were 636,000 births in 2006

The costs of a ‘maternity nurse’ depends on the level of qualifications of the individual undertaking the visit and the approach taken to costing. The advice from the Department of Health (DH) is that most equivalent to a maternity nurse is a health visitor.

Figures provided by DH’s Finance team indicate that the cost of a health visitor for an hour’s home visit is £104 (PSSRU unit costs including annualised training costs). If this level of professional were to provide the support the cost would be up to £2.8bn per annum (=£104x6x7x636,000). Note that the policy describes the level of support as “up to six hours a day” as a maximum.

The cost of a clinical support worker without professional qualifications is £22 per hour. If this level of professional were to provide the support the cost would be up to £590m per annum (=£22x6\*7x636,000).

The cost of a community nurse is £67 per hour. If this level of professional were to provide the support the cost would be up to £1.8bn per annum (=£67x6x7x636,000).

An alternative approach to costing taken by DH’s workforce directorate (and provided to DH ministers) is to calculate the cost of a maternity nurse based on the average weekly cost (£773.48). Using this methodology the total projected cost would be £492m.

*HM Treasury Costing, Released following a Freedom of Information Request, 2 December 2009,*

[http://www.hm-treasury.gov.uk/d/foi\\_oppcostings11.pdf](http://www.hm-treasury.gov.uk/d/foi_oppcostings11.pdf)

- The Conservatives have never published a detailed explanation of the policy, or said how much they think it would cost. However, when interviewed about the policy on Channel 4 News in February 2008, Shadow Health Secretary Andrew Lansley voluntarily suggested the figure of £145m per year, as well as rejecting Channel 4 News’ costing of £335m per year. He gave no basis for this figure.

Samira Ahmed: “Who is going to pay for this?”

Andrew Lansley: “We also want to see this in the Dutch context as well and see how it works. When you’re asking about how much money, well, let me give you an example. Outside the health budget at the moment, the government are proposing legislation before parliament that there be cash grants to mothers in the 29th week of pregnancy of about £190.00 each. That’s £145 million a year. So we’re going to look at whether that which appears not to be

evidence based is the right way in which to use that money or whether new mothers would actually find it far better for us to use those resources, or if we can find them additional resources, to give a more practical form of support when mothers come home from hospitals."

Samira Ahmed: "But we've costed it at £335 million."

Andrew Lansley: "That's if every mother was provided with help for 4, 5 days and ..."

Samira Ahmed: "So you're not offering it to everybody?"

Andrew Lansley: "Well no. We haven't said we've rolled out a scheme. What we've said is that we are going to look carefully at the Dutch scheme. Now the Dutch scheme of course is quite different from, in this country, because it's a co payment scheme. It's often funded through social insurance and the like, so clearly there are differences because in this country health care is free, social care is means tested. So we need to look at to what extent this is a health care provision which is free, to what extent it is social care provision."

*Channel 4 News, 3 February 2008*

## The Conservative retraction

- The Conservatives now say that they are merely "committed to learning from the Dutch system of kraamzorg", not committed to introducing a version of it.

"Labour is trying to misrepresent our position. As the quotes from Michael Gove and David Cameron make clear we have always been committed to learning from the Dutch system of kraamzorg. The maternity nurse entitlement costed in this document has never been our policy. We looked in detail into kraamzorg, and the Dutch approach has very much influenced our thinking to provide better community-based support for new families. This additional support includes: new health visitor provision, which will be more frequent, more intensive and more personally supportive than is currently available and maternity networks – there is a professional aspect to this, where local maternity units are better supported by hospitals, and a more personal, community-based aspect, where the networks will help mothers group together with voluntary sector help to form their own support groups."

*Conservative Party press release, 4 January 2010, p. 12*

- This is despite clear statements by Maria Miller that "we are also committed to introducing our version of the Dutch kraamzorg system" and by Michael Gove that "we have devoted attention to... implementing a version of the Dutch kraamzorg or state maternity nurse system".

"That is why we will re-introduce a universal health visitor service which will focus on supporting both mothers and fathers around the birth of a child – and we will give those health visitors the training they need to spot when relationships are under pressure and most important of all signpost where help is available. "Because we want families to be stronger and more resilient we are also committed to introducing our version of the Dutch kraamzorg system."

*Maria Miller, speech to Conservative Party Conference, 30 September 2008*

"And policies to give every child the best possible start in life are crucial – which is why we have devoted attention to developing a universal health visitor service, to focussing Surestart on the most disadvantaged, on implementing a version of the Dutch kraamzorg or state maternity nurse system and on supporting parental commitment."

*Michael Gove, speech to Barnardo's, 9 March 2009*

## Reinstate the Defence Export Services Organisation (DESO)

### Summary

- The Conservatives promised to reinstate the Defence Export Services Organisation, with Shadow Defence Secretary Liam Fox describing its abolition as “an act of industrial vandalism”.
- They never produced a costing for this policy but an HM Treasury costing found the annual costs below.
- After the publication of Labour’s analysis of their tax and spending plans, the Conservatives announced that they were no longer committed to reinstating the Defence Export Services Organisation.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£2.371m</b>	<b>£8.63m</b>	<b>£8.846m</b>	<b>£9.067m</b>	<b>£9.303m</b>

### The Conservative Commitment

- Shadow Defence Secretary Liam Fox said in May 2009 that a Conservative Government would reinstate the Defence Export Services Organisation (DESO). He repeated this commitment as recently as September 2009.

“The defence industry in Scotland provides the jobs of more than 11,000 people. Thousands more jobs are indirectly supported by the defence industry in Scotland. One way to safeguard and increase these Scottish jobs is to increase Britain’s overall share of world wide defence exports. To make this happen, one of the first acts of a Conservative led Government will be to reinstate the Defence Export Services Organisation (DESO) which was abolished by Labour in what can only be described as an act of industrial vandalism.”

*Liam Fox, speech to Scottish Conservatives Conference, Perth, 14 May 2009*

“We intend to move DESO back into the MoD,” he [Liam Fox] added, “because selling weapon systems is not selling widgets – it has to be part of your defence and foreign policy – and also because we think that if you want to sell military equipment, having military uniforms alongside is hugely helpful.”

*Jane’s Defence review, 22 June 2009*

Q. ARE YOU COMMITTED TO PULLING DEFENSE EXPORTS BACK UNDER MOD CONTROL?

A. It will come back inside the MoD. Defense exports are part of security policy. We need to learn lessons about how we can use the business network of [U.K. Trade and Investment] people on the ground to help with promotion. But if you want to sell defense equipment, you require uniforms and cabinet rank to help you. DESO [the Defence Export Services Organisation] will come back. The trick will be to look at the gains in terms of the network but have clarity over policy.

*Liam Fox Q&A, Defense News, 7 September 2009, <http://www.defensenews.com/story.php?i=4266171>*

### Basis of Costing

- An HM Treasury costing of this policy was published on 24 December 2009 following a Freedom of Information Act request. This costed the reinstatement of the Defence Export Organisation within the MoD, reversing its transfer from the MoD to UK Trade and Investment. The costing is available at [http://www.hm-treasury.gov.uk/d/foi\\_oppcostings\\_deso.pdf](http://www.hm-treasury.gov.uk/d/foi_oppcostings_deso.pdf) and the figures are reproduced in the table above.
- The costing assumes a full transfer back to the MoD at the pre-transfer structure (i.e. with the restoration of the staff reductions made under the MoD’s Head Office streamlining programme).
- The costing does not include any staff costs to agree and arrange transfer; relocation costs

from current location in UKTI to MoD; new MoD IT systems or an increased guarding requirement.

- The cost increases from year 2 as the Government forgoes the assumed rental receipt on empty office space, which would otherwise be put on the market.

### **The Conservative retraction**

- The Conservatives told the Financial Times in March 2010 that it was no longer committed to reinstating the DESO.

"Liam Fox, shadow defence secretary, ditched plans to reinstate at once the Defence Export Services Organisation after industry said the arrangement 'has been beneficial'. Gordon Brown moved defence export promotion to UK Trade & Investment, of the department for business, against wishes of executives and Mr Fox, who vowed to reverse the decision. 'Ken Clarke and I have decided that the best thing is to leave it where it is and watch, over the first six months, how it was performing,' Mr Fox said."  
*Financial Times, 19 March 2010*

## National Loan Guarantee Scheme

### Summary

- The Conservatives promised in 2008 that they would introduce a National Loan Guarantee Scheme worth £50bn.
- Shadow Chancellor George Osborne said that this would not add to public borrowing. Shadow Business Secretary Ken Clarke said that it would.
- They dropped the policy in February 2010.

### The Conservative Commitment

- The Conservatives announced in November 2008 that they would introduce a National Loan Guarantee Scheme worth £50bn. They claimed – implausibly – that this would not add to government borrowing.

“So we propose establishing a temporary new Government body – the National Loan Guarantee Scheme – to directly underwrite lending from the banks to British businesses. The focus would be on short term credit lines, overdrafts and trade credit – the lifelines that all businesses need to keep afloat. Our National Loan Guarantee Scheme would guarantee billions of new loans to any UK businesses, and it would do so for a commercial insurance fee, passed on by the banks, that would properly protect the taxpayer. Banks will be able to use the National Loan Guarantee Scheme guarantees to underwrite a significant percent of any new loans to business.

“And a similar approach should be taken with trade credit insurance, which has dried up dramatically over the last few weeks with worrying consequences for the day to day workings of our economy.”

*David Cameron, Speech at Policy Exchange, 28 November 2008*

- To begin with up to £50bn of guarantees for new lending to businesses of all sizes. This is far larger than the £1bn Small Business Finance Scheme announced in the PBR which covers only 0.2% of all lending to businesses and which Gordon Brown referred to at PMQs.
- These guarantees for lending to businesses are similar to the £250bn of inter-bank lending guarantees announced as part of the bank rescue package. These do not add to Government borrowing.
- The guarantees would be provided for a fee to ensure that taxpayers are protected. The fee would be equivalent to the difference between the interest rate charged by the lender on the loan and LIBOR. That means that taxpayers would receive the same margin on loans as the lender.
- The interest rate charged on eligible loans would be capped at a margin above the Bank of England base rate. The level of the cap would be decided by the Board of the Scheme.
- The guarantee would cover less than 100 per cent of the eligible loan, since it’s important that banks take a share of the risk to prevent reckless lending. This means that it will be the banks, not the Government, that will make decisions about which companies to lend to.

The Conservatives are calling on the Government to introduce the National Loan Guarantee Scheme Bill before Christmas as urgent action is needed to reduce the impact of the credit crunch on businesses and jobs.

*Conservative Party News Release, 11 December 2008*

“The national loan guarantee scheme is supported by every single business organisation. It is exactly equivalent to the inter-bank guarantees that the Government have put in place, but does not add to public expenditure.”

*George Osborne, Hansard, 18 December 2008, column 1228*

- Shadow Business Secretary Ken Clarke repeatedly said that the policy would add to government borrowing, and that the taxpayer would be liable in the event of borrowers defaulting.

“Sharing the risk with the finance arm rather as with banks, you help give loan guarantees as we call it whereby you leave the banks or you leave the car finance company carrying some of the risk so if the person

doesn't pay they have a loss but the government underwrites and guarantees part of it so that encourages people, it makes them more able to make loans because if anything goes wrong the guarantee, the taxpayer will take some of the hit."

*Ken Clarke, BBC, 11 March 2009*

Jeremy Paxman: Would you borrow any money?

Ken Clarke: I'd be borrowing some money in order to go in for a loan guarantee scheme to help with the credit markets. The rest, all Gordon's panic stricken announcements, have already wasted billions of pounds and just added to the eventual debt. We can't afford to go beyond that and the thing that is still missing is a sensible loan guarantee scheme to enable companies to access credit, companies of all sizes. None of that's been put into practise and that's going to give a lot of our big companies a lot of trouble and they're cutting costs and jobs.

*BBC Newsnight, 30 March 2009*

"On the issue of credit, what businesses need is not a patchwork of state lending schemes which take months to reach the high street, but radical action to get credit flowing again. Consistently, the Conservatives have argued for the Government to share some of the cost and risk of business lending; underwriting a proportion of loans to get banks lending again."

*Ken Clarke, Yorkshire Post, 10 August 2009*

### **The Conservative retraction**

- In February 2010 the Financial Times reported that the Conservatives had dropped their scheme, quoting a Conservative spokesperson as saying that it was "a recession measure".

"David Cameron has dropped a proposal for a £50bn loan guarantee scheme as he reshapes the Conservative party's manifesto to reflect the end of the recession.

"The Tory leader's decision to axe the plan, which he first suggested at the height of the credit crunch in November 2008, is an implicit admission that the economy is recovering.

"The scheme was a recession measure to help all companies,' a Tory official told the Financial Times. 'But we still believe there is a very strong case for helping companies and businesses, particularly small and medium sized ones, by using government guarantees to improve the flow of credit. This is something we are actively looking at.'

"The emphasis on smaller companies suggests the opposition party is considering significantly more modest initiatives than the £50bn scheme, which the Tories said would be available for all UK businesses, including the largest corporations. The party was adamant the scheme would be self-financing and carry little liability for the taxpayer, but political opponents warned the cost and risk could prove significant."

*Financial Times, 2 February 2010*



# Tax Cuts

This section sets out tax cuts worth £12.8 billion which the Conservatives have promised, and which they remain committed to introducing by the end of the next Parliament.



## Corporation tax and investment allowance changes

### Summary

- The Conservatives have promised to cut the headline rate of corporation tax to 25p and the small companies rate to 20p, funded by reducing investment allowances.
- They have said that this will be fiscally neutral, so this document assumes that the net effect of their changes will be zero.
- However, these changes have been widely criticised with representatives of manufacturers labelling them "a disaster".

	2010/11	2011/12	2012/13	2013/14	2014/15
Corporation tax and investment allowance changes - overall fiscal impact	£0	£0	£0	£0	£0

### The Conservative Commitment

- The Conservatives have promised to cut corporation tax, funded by removing existing tax reliefs and allowances for business.

"Our first budget will contain funded measures to boost enterprise and create jobs.

"We will abolish the tax on new jobs created in new businesses.

"We will cut the corporation tax rate paid for by removing complex reliefs and attract international headquarters to Britain.

"We will reduce the small companies tax rate by simplifying the tax code and make it far easier to get a business started."

*George Osborne, speech to Conservative Spring Forum, 27 February 2010*

"Our ambition is to create the most competitive corporate tax environment in the G20. To begin with, we will cut the headline rate of corporation tax to 25p or lower and the smaller companies' rate to 20p, funded by reducing complex reliefs and allowances"

*Conservative Party, "A New Economic Model: Eight Benchmarks for Britain", 2 February 2010, p. 13*

### Basis of Costing

- Since the publication of Labour's analysis of Conservative tax and spending plans, George Osborne has suggested to the Financial Times that the plans will be fiscally neutral. His proposals have been criticised by the Institute of Directors precisely on the grounds of their fiscal neutrality.

"George Osborne faces intensifying business lobbying over how a Conservative pledge to cut the headline rates of corporation tax will be funded, amid manufacturers' concerns that his pre-recession plan to axe certain capital allowances to finance the cuts would be a 'disaster'.

"The shadow chancellor told the Financial Times that he remained committed to cutting the main rate of corporation tax by 3p to 25p and the smaller companies' rate to 20p, as part of a fiscally neutral package. Mr Osborne refused to put any deadline on the reform but said his aim was to ensure 'we will within five years ... have the most competitive corporate tax system of any major economy'."

*Financial Times, 18 January 2010*

"Business groups remain supportive of the aim of cutting the headline main corporation tax rate, seen as an

important signal of Britain's competitiveness. But the Institute of Directors said the decision to fund that change by axing tax breaks for business meant 'the benefit will be very small'.

"We marginally support these proposals, as better than doing nothing, but we'd much prefer them to be bold and not fiscally neutral," said Miles Templeman, the institute's director-general."

*Financial Times, 18 January 2010*

- The Daily Telegraph has reported that these measures would be in the Conservatives' first budget, held within 50 days of an election.

"George Osborne will unveil an emergency 'enterprise' budget within 50 days of a Conservative election victory which will sharply cut taxes for business, it can be disclosed.

"The shadow chancellor will reduce corporation tax from 28p to 25p. The rate for small companies will be cut to just 20p.

"New businesses will be allowed a one year break from paying National Insurance for the first ten workers they employ.

"Families and small businesses to receive billions in tax cuts in Pre-Budget Report

The ambitious package is designed to send a strong message to entrepreneurs and multi-nationals that Britain is 'open for business'."

*Daily Telegraph, 27 February 2010*

## Notes

- The Conservatives have indicated that they may cut corporation tax further than they have announced so far, in which case the plan would require further additional tax rises to remain fiscally neutral.

"I have already committed to reduce the headline rate from 28p to 25p by reducing complex reliefs and allowances, but we will need to go further if we are to keep pace with an increasingly competitive global economy."

*George Osborne, 'A different vision for the economy', Birmingham, 6 March 2009*

- The Conservatives' recent policy document "A New Economic Model" says that "To begin with" they will cut corporation tax "to 25p or lower", with a goal of creating "the most competitive corporate tax environment in the G20" - indicating that even at an early stage the tax may be cut further than they have previously indicated.

"Our ambition is to create the most competitive corporate tax environment in the G20. To begin with, we will cut the headline rate of corporation tax to 25p or lower and the smaller companies' rate to 20p, funded by reducing complex reliefs and allowances"

*Conservative Party, "A New Economic Model: Eight Benchmarks for Britain", 2 February 2010, p. 13*

- The independent Institute for Fiscal Studies has said that cutting corporation tax by reducing allowances would penalise "businesses that are investing heavily in the UK", while helping "companies that make large profits with little investment".

"The Institute for Fiscal Studies told the Financial Times that the Tory reforms would have 'interesting and odd' effects, including potentially penalising the sorts of companies the party has said lie at the heart of its industrial strategy.

"Cutting allowances to fund a cut in the mainstream corporation tax rate would help companies that make large profits with little investment, at the expense of businesses that are investing heavily in the UK but making only marginal returns," said Stuart Adam, a senior research economist at the IFS.

*Financial Times, 18 January 2010*

- The EEF manufacturers' organisation described the Conservative plans to reduce capital tax allowances as "a big problem for manufacturers" and in particular, the policy of reducing

general plant and machinery tax allowances as a “disaster”.

“But manufacturers argue that cutting capital allowance rates from 20 per cent to 12.5 per cent would be a move in the wrong direction, because technological change meant that plant and machinery were depreciating increasingly rapidly. The EEF, representing manufacturers, said the impact of the policy would be felt far beyond the sector, which accounts for less than a fifth of all capital allowances. Jeegar Kakkad, senior economist at the EEF, said investors would face ‘a massive cash-flow cost up front’ as a result of the proposals. ‘Any business would have to think twice about investing in the UK.’

*Financial Times, 5 March 2010*

“Reducing the level of capital allowances would be a big problem for manufacturers ... cutting the rate to 12.5 per cent [from 20 per cent] would be a disaster for us.”

*Jeegar Kakkad, senior economist at the EEF manufacturers’ organisation, Financial Times, 18 January 2010*

“In the long run, while headline rates of corporation tax are important in terms of international competition, from a manufacturing perspective the importance of capital allowances cannot be underestimated. We would not support moves to put UK manufacturing and their investment plans at a disadvantage, particularly at a time when we’re looking to rebalance the UK economy.”

*EEF spokesperson, Left Foot Forward, 24 November 2009,*

<http://www.leftfootforward.org/2009/11/investment-decline-continues-but-conservatives-would-cut-capital-allowances/>

## Freeze council tax for two years

### Summary

- The Conservative Party is committed to introducing a two year council tax freeze, funded by central government, for councils that meet certain criteria. In 2008, the Conservatives costed this pledge at £500m in year one and £1,000m in subsequent years, citing the Institute for Fiscal Studies in support.
- The IFS now estimates that the pledge would cost £1.4 billion once fully implemented.
- The Conservatives have pledged to reduce the government advertising and consultancy budgets to fund their plans, but following measures announced in the PBR to make government more efficient – specifically the 25% reduction in marketing budgets and the 50% reduction in consulting budgets – the Conservative spending reductions do not fully fund the cost of their council tax freeze (see p. 38).

2010/11	2011/12	2012/13	2013/14	2014/15
-	<b>£700m</b>	<b>£1,400m</b>	<b>£1,400m</b>	<b>£1,400m</b>

### The Conservative Commitment

- The Conservative Party have committed to the following offer to local government during their first two years in office: if a council proposes an increase in council tax of no more than 2.5%, then central government will provide the necessary funds to freeze that council's council tax.

"One of the things we can do, and George [Osborne] set it out yesterday, is we can freeze the council tax for two years. The council tax is one the biggest items of family expenditure, it goes up every year, it's doubled in the last decade and we have found government money so we are saying to councils if you keep your increase to 2.5% we will give you the money to make it zero."

*David Cameron, BBC Breakfast, 30 September 2008*

"If a council can keep its council tax bill rise to 2.5% or below, then central government will provide sufficient additional resources out of the savings made from consultancy and advertising budgets to fund a further 2.5% reduction in the council tax. Councils that accept the offer will therefore be able to offer their constituents a complete freeze, or even reduction, in council tax for two years in a row. Each council will be completely free to accept or reject the contract. Councils that reject the contract will be free to set their own council tax levels."

*Conservative Party Press Release, 29 September 2008*

"As Scotland enjoys yet another council tax freeze, hard-working families and pensioners in England now face crippling council tax bills. Only a Conservative Government will work with councils to freeze council tax bills south of the border."

*Caroline Spelman, Conservative Party website, 24 March 2010*

[http://www.conservatives.com/News/News\\_stories/2010/03/Browns\\_record\\_120\\_a\\_month\\_in\\_council\\_tax.aspx](http://www.conservatives.com/News/News_stories/2010/03/Browns_record_120_a_month_in_council_tax.aspx)

- The Conservatives have said that this pledge would not be implemented until the first full financial year of a Conservative government, which means that it could not come into effect until 2011/12.

"No, we have been very clear about this, we said we will cut the government advertising budget, from 2011 we will do a deal with local councils to freeze the council tax and we will fund the cost of that freezing of the council tax using those savings from the advertising budget. But in 2010 we will have the savings from the advertising budget – which we will cut as soon as we come into office – we will have those savings to add to

the total Treasury savings.”  
*Philip Hammond, Channel 4 News, 11 February 2010*

## Basis of Costing

- The Conservative Party provided a costing for this policy, which they said had been confirmed by the Institute for Fiscal Studies.

“The cost to central government of reducing council tax in England by 2.5% in the first two full years of a Conservative Government is £500 million in the first year and £1,000 million in subsequent years.  
“These figures are expressed in today’s prices and refer to the cost of implementing the policy in the next full tax year. They have been confirmed by the Institute for Fiscal Studies.”  
*Conservative Party Press Release, 29 September 2008*

- As the Conservative Party release above suggests, they expect the cost of this pledge to continue to be met by central government indefinitely following the two-year council tax freeze. If this were not the case, councils would have to increase council tax substantially following the freeze in order to recoup the lost national government support.
- If central government did not continue to meet the ongoing cost of the two-year council tax freeze, then another Conservative Party policy would mean that councils would have to submit any plans to raise council tax to compensate for this loss in revenue to a binding local referendum. If this referendum failed to pass, then councils would be unable to recoup the losses incurred from the withdrawal of central government support.

“Capping will be scrapped – and I want to allow local people themselves to have a say over local taxation. So the next Conservative government will require councils that want to introduce high council tax rises to submit their plans to a local referendum. They must explain to local taxpayers why they want to raise taxes by so much and they must show what they would do – a shadow budget – in the event of their plans being rejected. Council tax referendum ballots would be sent out with the annual council tax bill – and if people voted against the rise, a rebate would be credited to the next year’s bill.”  
*David Cameron, speaking at Young Foundation, 13 November 2007*

- A HM Treasury costing of the policy was released to the public on 24 December 2009 following a Freedom of Information request. This costing related to the direct cost to central government of providing a grant of this type. This revised the figures upwards somewhat from the 2008 figures supplied by the Conservative Party to the following:

	DEL	
	Year 1 (2010-11)	Year 2 (2011-12)
Current	£650m	£1,320m
Capital	0	0
Total	£650m	£1,320m

*HM Treasury Costing, Released following a Freedom of Information Request, 24 December 2009*  
[http://www.hm-treasury.gov.uk/d/foi\\_oppcostings\\_council\\_tax.pdf](http://www.hm-treasury.gov.uk/d/foi_oppcostings_council_tax.pdf)

- The Institute for Fiscal Studies has subsequently calculated, based on this costing and taking payments to the devolved administrations under the Barnett formula and savings to central government from Council Tax Benefit into account, that the total net cost of the policy would be £1.4 billion.

“Under the infamous ‘Barnett formula’, a £1.3 billion increase in grants to English local authorities would be matched by a £0.3 billion increase in grants to the devolved administrations in Wales, Scotland and Northern Ireland. This increases our estimate of the total net cost of the policy to £1.4 billion after rounding - and

would presumably increase the Treasury's estimate of the cost to roughly the same level if they were to net off the council tax benefit savings too."

*Institute for Fiscal Studies, "The Conservative Party's Council Tax Freeze", March 2010,*  
<http://www.ifs.org.uk/publications/4780>

- The IFS now agrees that "Labour could rightly say that this pledge costs £1.4 billion". They point out, however, that it should be seen in the context of the Conservative Party's planned cuts in spending which are intended, but fail, to make the pledge revenue-neutral. This document does consider those planned cuts, on p. 90 – by the third year of the next Parliament, they raise only £350m over and above existing Labour plans, so the Conservatives' council tax pledge is not revenue-neutral.

"The answer to which party is right on the costing of the council tax pledge is quite subtle. Labour could rightly say that this pledge costs £1.4 billion (if we consider the pledge in isolation from the planned reductions in advertising and consultancy spending), whilst the Conservative Party can point to the £1.0 billion in net cuts in central government spending required to make the combined spending cuts and council tax pledge revenue-neutral."

*Institute for Fiscal Studies, "The Conservative Party's Council Tax Freeze", March 2010,*  
<http://www.ifs.org.uk/publications/4780>

## Notes

- While the Conservative Party initially said that this policy would only apply to those councils meeting the criteria described above, they have regularly said that it would, in fact, apply to "your council tax" without caveat.

"I can tell you today that the next Conservative Government will freeze your Council Tax for at least two years."

*George Osborne, Speech to Conservative Party Conference, 29 September 2008*

"I am assuming 100 per cent take-up. I cannot believe there will be a council when offered this deal, which will not take it up."

*George Osborne, The Herald (Plymouth), 30 September 2008*

"Mr Cameron said: 'That's not right, we would do lots of things to help because we recognise what a difficult time it is for families who are struggling with kids and all the bills. One of the first things we would do is freeze the council tax, because after your mortgage that is one of the big bills that you have to pay, and we have identified savings in the Government - the stuff they spend on advertising and consultants - and use that money to freeze your council tax for two years to try and help at this time.'"

*The Independent, 19 December 2008*

- However, far from qualifying for the Conservatives' "freeze", David Cameron's own Conservative-controlled top tier local authority, Oxfordshire County Council, increased its council tax precept by 2.7 per cent for 2009/10.
- The Conservatives say that this policy will be paid for by their proposed reduction in government spending on consultants and advertising (p. 90). However, when those savings are compared with the cost of this policy it is clear that there is a gap between the Conservatives' claimed savings and the cost of their pledges in each year of the next Parliament.

## Reduce employers' NICs for some small companies

### Summary

- The Conservatives have pledged to cut National Insurance Contributions for some small companies and startups. They have costed this pledge as below. The Conservatives' figures have been used for the purposes of this document.
- The Conservatives have not set out what specific tax increases or spending reductions would fund this policy, although they have said that it would be funded by unspecified parts of the savings announced by George Osborne at the Conservative Party Conference in 2009.

	2010/11	2011/12	2012/13	2013/14	2014/15
New businesses	<b>£250m</b>	<b>£250m</b>	-	-	-
Businesses with fewer than 5 employees	<b>£225m</b>	-	-	-	-

### The Conservative Commitment

- The Conservative Party is committed to ensuring that any new business set up in 2010/11 or 2011/12 would pay no Employer National Insurance on its first ten employees during its first year.

"And to encourage the creation of new businesses in the recovery, we will abolish all tax on the first ten jobs they create during the first two years of a Conservative Government."

*George Osborne, speech at ThomsonReuters, 26 October 2009*

- The Conservatives also propose that they would reduce employers' National Insurance contributions by 1p for "at least six months" for those businesses with fewer than five employees.

"We would cut employers' national insurance by one percent for the smallest firms."

*David Cameron, Speech to the CBI Annual Conference, 24 November 2008*

"The Conservatives are calling on the Government to help small companies and boost jobs by cutting payroll taxes by 1p. The cut would be part of a fully funded package that would also reduce the small companies' rate of corporation tax to 20p. Under the proposal businesses with less than 5 employees would have the rate of employers' national insurance that they pay cut by 1p for at least six months. A small business with 4 employees and an annual wage bill of £150,000 would save more than £100 a month or more than £600 over six months."

*Conservative Party Press Release, 20 October 2008*

### Basis of Costing

#### *Reducing employers' NICs for some small companies*

- The Conservative party provided a costing of "just over £250 million a year" for their plans to reduce employers' NICs for new businesses and said it would be introduced for two years.

"The Conservatives today announced that, as part of our plan to Get Britain Working, we will abolish tax on

the jobs created by new businesses in the first two years of a Conservative Government. Any new business started in the first two years of a Conservative Government will pay no Employer National Insurance on the first ten employees it hires during its first year. The tax break will encourage new entrepreneurs and is predicted to generate around 60,000 additional jobs over two years. Clear and simple rules will ensure that the jobs created are genuinely new.

Commenting, Shadow Chancellor George Osborne, said:

"Getting Britain Working will be a top priority for the next Conservative Government. We have to end Labour's jobs crisis, which has left one in five young people unable to find work."

"As well as helping more unemployed people more quickly with our Work Programme, we also need businesses to create new jobs for them."

"So we have a bold plan to abolish tax on the jobs created by new businesses in the first two years of a Conservative Government. This will create around 60,000 new jobs that would otherwise not be created."

"This is just another example of the Conservatives being the party of jobs at a time when Labour are the party of mass unemployment."

Details on how the cost of just over £250 million a year will be funded will be announced tomorrow as part of a broader package."

*Conservative Party press release, 5 October 2009*

- David Cameron has been clear that this policy would be introduced within 50 days of a new Conservative Government being elected.

"An emergency budget that yes will be about getting then deficit under control and having a credible plan, a credible plan that the CBI last Friday praised, but it should also be a budget that goes for growth, that gets this economy moving again. We've made promises like cutting the rate of corporation tax down to 25p by abolishing some of the allowances, that needs to happen. We've said let's get new businesses going by saying to new companies set up here, get going, don't pay national insurance on your first ten employees, let's get that going."

*David Cameron, The Andrew Marr Show, 22 November 2009*

- The Conservatives have costed their policy of cutting employers' National Insurance for businesses with fewer than five employees at "around £225m" for six months.

"A 1% cut in employers' national insurance for the smallest businesses: In 2007 there were 2,313,000 employees in businesses with less than 5 employees out of a total employment of 25,974,000 (excluding the self-employed as they do not pay employers' national insurance). (<http://stats.berr.gov.uk/ed/sme/>). Based on these figures, a maximum of 8.9% of total employer National Insurance Contributions are paid by businesses with less than 5 employees. The actual percentage is likely to be lower than this, as smaller businesses tend to have lower average wages than larger businesses.. According to Treasury figures, reducing employer NICs by 1p for all employees would cost £5,050m in the current tax year. Doing this for six months for businesses with less than 5 employees will therefore cost around £225m."

*Conservative Party Press Release, 20 October 2008*

## **The Conservative reaction**

- The Conservatives argue that the cost of this policy will be funded through spending cuts elsewhere.

"Labour agree with our costing of this policy. As George Osborne explained at our party conference, this policy will be funded by using a small proportion of the savings from the spending cuts he announced at the same time."

*Conservative Party press release, 4 January 2010, p. 4*

## Tax cuts for married couples

### Summary

- The Conservatives have a long-standing commitment to “recognise marriage in the tax system”. The only specific proposal that has been made by the Conservatives and discussed by David Cameron and George Osborne is a transferable tax allowance.
- David Cameron has repeatedly insisted that a tax break for married couples would apply to all married couples, not just to some.
- The Centre for Social Justice has recently suggested that the Conservatives might be considering a “staggered implementation” of a transferable tax allowance for married couples. However, to do this in a way that fulfils David Cameron’s promise to “recognise all marriages” would cost £4.9 billion – even if it were only implemented for all married couples in the final year of a Parliament.
- The Conservatives have not set out what specific tax increases or spending reductions would fund this policy.
- The Conservatives have not said when this tax change would be introduced so, following the methodology of this document, it has only been counted as coming into full operation by 2014/15, although indicative figures for earlier years are provided below in brackets.

	2010/11	2011/12	2012/13	2013/14	2014/15
Transferable personal allowance for all married couples and those in civil partnerships	(£4,900m*)	(£4,900m*)	(4,900m*)	(£4,900m*)	£4,900m*

\* HM Treasury have only published a 2009/10 figure for this tax change so a flat projection has been assumed.

### The Conservative Commitment

- David Cameron has promised tax breaks for married couples and those in civil partnerships since 2005.

“Families are the most important institution in our society. We have to do everything in our power to strengthen them. Partly, that’s about changing cultural values. That’s why we will recognise marriage in the tax system - as a clear symbol of what really matters to a responsible society.”

*David Cameron, Speech to Welsh Party Conference, 29 March 2009*

John Humphrys: “Alright, but let’s be absolutely clear that you are talking about something like raising personal tax allowances, transferable child tax allowances, all that sort of things, what you’re saying is making it more profitable to be married than to be single?”

David Cameron: “Yes. Yes.”

John Humphrys: “Alright, so that’s an absolutely commitment, let’s be clear about that.”

David Cameron: “Yes.”

*BBC Radio 4 Today Programme, 16 February 2007*

David Cameron: “Let’s go through the tax and benefit system and make sure it encourages families to come together and stay together.”

John Humphrys: “And by families you mean...”

David Cameron: “No hang on, hang on John. Just hold on a second! In addition to that I think we should recognise on the basis of evidence that marriage is a good institution, because married couples get together and stay together for longer, and so we should have a specific

support for marriage in the tax system.”

John Humphrys: “Right so there’d be a bias against those who aren’t married. Inevitably, I mean if you support one that means you support the other less?”

David Cameron: “There would be an extra support for marriage through the tax system, so there we are, again John, a point of substance. Going back to your original...so there are some specifics for you.”

John Humphrys: “I’m intrigued to know, so in other words you would be better off if you were married than if you merely co-habiting?”

David Cameron: “If there’s a tax break specifically for marriage, yes.”  
*David Cameron, Today, 28 November 2005*

## Basis of Costing

- The only form of marriage tax break that has been discussed publicly by David Cameron and George Osborne is that proposed in 2007 by the Conservative Party Social Justice Commission; a transferable personal allowance. This would allow one member of a married couple to take advantage of their spouse’s unused tax free allowance, if the spouse was not earning or earning less than the tax free allowance.

“A TPA [Transferable Personal Allowance] of the full personal allowance amount would provide only modest financial support for marriage - £20 a week to those making use of it - encouraging rather than incentivising it. The main rationale for the allowance would be to provide symbolic recognition of the institution of marriage. It would indicate that marriage is valued because of its benefits to children and the wider society. It would make it easier for a mother or father to remain at home to look after their children whilst the other spouse worked, or for one partner to do voluntary work within the community, look after elderly or disabled members or manage a home in a way that enables partners and families to have more undivided time together. We would thus see this as a measure with the potential to increase family stability and improve the quality of family life.”

*Family Breakdown, Final Report of the Conservative Party Social Justice Commission, 10 July 2007, p71*

“I am conscious of my job to provide for those people, giving them a bit more cash in their pockets, helping to keep interest rates down, lowering family taxes when we can afford to do so. It makes such a difference to so many people. And when you see the debate in the media about the £20-a-week tax cut (Iain Duncan Smith’s proposed tax break for married couples) it really makes a difference it most certainly does.”

*George Osborne, Tatler magazine October 2007 edition*

“And most of all, we need to help couples stay together in the first place. That’s why I welcome the recommendation [in the Social Justice Commission’s Report] to recognise marriage in the tax system.... if these are the right policies for Britain’s families, they are the right policies for the Conservative Party.”

*David Cameron, Daily Mail, 11 July 2007*

- The Social Justice Commission costed this proposal at £3.2 billion in 2007.

“In response to a request from this group, the Institute for Fiscal Studies has estimated the cost of a transferable tax allowance according to different criteria. Their estimates assume that the allowance applies only at the basic rate of taxation, due to be 20% in April 2008, and is equal to the existing personal allowance (set at £5,225 for 2007/8). The IFS has estimated that the option of a transferable allowance: For all married couples would cost £3.2bn;”

*Family Breakdown, Final Report of the Conservative Party Social Justice Commission, 10 July 2007, p71*

- David Cameron has insisted that his policy would apply to all married couples and this is the only proposal that has been published by the Conservative Party that would fulfil this promise.

Jon Snow: One of the most damaging things is when a marriage breaks down and ends in divorce. You get married again – you get it again?

David Cameron: Yes, it’s a married couples’ allowance ... it’s a recognition of marriage, so those people who, and we haven’t said precisely how we’re going to do it, but if you recognise marriage in the

tax system then you recognise all marriages, yes of course.  
*David Cameron, Channel 4 News, 12 July 2007*

"Mr Cameron told the Daily Mail that 'celebrating' and 'encouraging' marriage was the norm in most European countries and a Tory government would follow suit by changing the tax system.  
"He dismissed speculation that the Conservatives might limit their long-standing commitment to support marriage to couples with children, or those on low incomes.  
"All those who tie the knot or enter a civil partnership would qualify, he insisted."  
*Daily Mail, 1 December 2009*

- HMT has provided a costing of this policy in response to a Parliamentary Question.

**Asked by Lord Oakeshott of Seagrove Bay**

To ask Her Majesty's Government what is the most recent estimate of the costs of making the personal allowance transferable between couples for each of the next five years. [HL5607]

To ask Her Majesty's Government what is the most recent estimate of the total financial effect on (a) married couples with children, and (b) married couples without children of making the personal allowance transferable for each of the next five years. [HL5608]

To ask Her Majesty's Government what is the most recent estimate of the proportion of individuals who are married who would benefit from a transferable personal tax allowance for each of the next five years. [HL5609]

**The Financial Services Secretary to the Treasury (Lord Myners):** Due to the complex nature of these Questions the following estimates should be treated with caution. These estimates exclude any behavioural response to the change, which could be significant given the magnitude of the change.

The estimated cost of allowing personal tax allowances to be transferred between married couples and civil partners would be £4.9 billion for 2009-10 and would benefit around 41 per cent of married couples and civil partnerships. Married couples with children will be better off by around £290 per year on average. Those without children will be better off by around £150 per year on average.

These estimates have been calculated using HM Treasury's tax and benefit micro-simulation model using Family Resources Survey 2007-08 data.

*Lords Hansard, 27 October 2009, Columns WA143-WA144*

<http://www.publications.parliament.uk/pa/ld200809/ldhansrd/text/91027w0008.htm#09102779001493>

## The Conservative response

- After the publication of Labour's analysis of Conservative tax and spending plans in January, David Cameron said of his marriage tax break policy "I'm not today able to make that promise".

Nick Robinson: Married tax break: promise or something you hope one day to do?

David Cameron: It is something we want to do, something we believe we can do, it's something, within Parliament, I'll definitely hope to do. I'm not today able to make that promise. Today, we face a vast budget deficit...

Nick Robinson: But if people want certainty, on some of these tax cuts - you're saying today you can't give that certainty?

David Cameron: We're not able to give people absolute certainty on everything.

*Nick Robinson blog, BBC News online, 4 January 2010,*

[http://www.bbc.co.uk/blogs/nickrobinson/2010/01/tory\\_married\\_ta.html](http://www.bbc.co.uk/blogs/nickrobinson/2010/01/tory_married_ta.html)

- But his office issued a clarification the same afternoon, saying that "It's something we will definitely do in the next parliament".

The Conservatives will "definitely" bring in measures to recognise marriage in the tax system, David Cameron has confirmed.

The Tory leader was forced to clarify his position after earlier giving an interview in which he said that he could not promise with "absolutely certainty" to deliver the policy if he won the general election.

This afternoon the party issued a statement to the BBC from Mr Cameron in which he said recognising marriage in the tax system was something he felt "very strongly about".

"It's something we will definitely do in the next parliament," he said.

*PoliticsHome, 4 January 2010,*

[http://page.politicshome.com/uk/article/4694/cameron\\_we\\_will\\_definitely\\_recognise\\_marriage\\_through\\_tax\\_system.html](http://page.politicshome.com/uk/article/4694/cameron_we_will_definitely_recognise_marriage_through_tax_system.html)

- Later that week David Cameron said "I messed up" and "I misdescribed our policy", saying that a Conservative government would recognise marriage in the tax system within the next Parliament.

Evan Davis: Can you just clarify where we are, have you got a commitment now in the next parliament to give a tax break to married couples?

David Cameron: Our commitment is that we want to recognise marriage in the tax system. We think that marriage is a good institution, we think that it's very important to encourage commitment, we want to see a country where more people...

Evan Davis: Sorry you want to or is it a commitment? I know all the stuff about supporting marriage...

David Cameron: It will be done in a parliament.

Evan Davis: It will be done in a parliament. So why on Monday did you say that wasn't a commitment, was that just misspeaking because it was quite clearly said, it didn't sound like an accidental phraseology?

David Cameron: The truth is Evan I give dozens of interviews every week and on Monday I messed up and there is no other way of putting it, you know, I was thinking about all sorts of different things and I misdescribed our policy. I immediately corrected that but in my view there's only one thing worse than messing up and that is messing up and not admitting to it but you know, people have a very clear commitment that if they get a Conservative government in that parliament that we will recognise marriage properly in the tax system and that will be done. Obviously there are, you know, we're living in very difficult times with huge budget deficit, public finances in a complete mess. We have to be very careful about the commitments and the pledges that we make but that is a pledge we feel we are able to make.

Evan Davis: And then that raises a question of where you're going to get the money to make a concession to married couples in the tax system, you're going to put up someone else's taxes to do it presumably?

David Cameron: Well we obviously have to get to grips with public spending, we have to find efficiencies. We have said very frankly and plainly unlike the government we'll have to make some cuts in public spending. We're the first opposition I think in 30 years to go into an election making clear we're going to have to cut public spending but this is a pledge for a parliament and we believe over a Parliament we will have the opportunity to do that and that's why we can make that pledge.

*BBC R4 Today, 7 January 2010*

- David Cameron has since promised that the Conservative manifesto will "set out how we're going to recognise marriage in the tax system".

"And we want to make big changes, really big changes, to build the stronger society. We're going to start with the most family-friendly manifesto that any party has produced in British political history. We're going to set out how we're going to recognise marriage in the tax system, how we're going to support couples in the benefits system, how we're going to give the right to flexibility to everyone with children up to the age of 18, how we're going to have a new army of health visitors to help mum and dad when the new child arrives, how we're going to do all these things to help all our families in all of our country."

*David Cameron, speech to Conservative Spring Forum, 28 February 2010*

## Notes

### *Green taxes*

- The Conservatives have repeatedly indicated that they intended to increase revenue from "green taxes", putting them into "an independently audited Family Fund", and use the proceeds

to reduce taxes elsewhere. George Osborne has specifically mentioned the Conservative commitment to recognising marriage as something which “will be paid for by specific tax increases on things like pollution”.

“A commitment to increase the proportion of taxes collected from green taxation, with revenues from new green taxes going into a Family Fund that can only be used to reduce other taxes on families.”  
*Conservative Party, “Reconstruction, Renewal, Repair: Plan for Change”, October 2008*

“As we fulfil our commitment to raise the proportion of tax take from green taxes, we will put all the revenue from the new green taxes into an independently audited family fund, and this will guarantee that every penny of additional tax revenues is used to reduce taxes elsewhere.”  
*George Osborne, Speaking at the Green Alliance, 10 July 2008*

“Any specific tax reductions we propose – for example fulfilling our commitment to recognize marriage – will be paid for by specific tax increases on things like pollution.”  
*George Osborne, speech to the CBI, 7 March 2007*

- The *Daily Telegraph* reported on 22 January 2010 that the Conservatives were planning to increase “taxes on driving, flying and other environmentally-damaging activities... to fund tax breaks for married couples with children”. The story again referred to the Conservatives’ “family fund” proposal.

“Taxes on driving, flying and other environmentally-damaging activities are to be increased by the Conservatives to fund tax breaks for married couples with children, the *Daily Telegraph* can disclose. “The money raised from ‘green taxes’ will be used for a new ‘family fund’ which will be used to cut income tax for families...”

“One Tory insider said: ‘We could reintroduce the fuel-duty escalator, as long as we were upfront about it. We would say the cost of petrol will rise for the next five years to reduce carbon emissions and fund tax cuts for families.

“In the same way that tobacco taxes were increased as a deliberate policy to improve health, it can be done.’ “However, the fuel duty escalator may prove too politically controversial and the Conservatives are therefore studying a range of other green taxes which could see new levies on flights and polluting companies.

“It is understood that initially all married couples will be offered a small tax break while those with younger children are expected to be given an additional incentive. The tax cut will, in the early years, be funded by spending cuts, but will become more generous by increasing green taxes in the future, a senior Conservative MP involved in the policy confirmed...”

“A senior Tory MP involved in the decision-making confirmed told the *Daily Telegraph* that above-inflation increases in fuel duty are being considered.

“The MP confirmed: ‘Green taxes on environmentally-damaging activities and consumption will fund our family policies in the long term. We are committed to them.’

“He added: ‘The marriage tax breaks will be symbolic in many ways in the first term. But what we will do is put in place the structure, with limited tax breaks, and that will enable us to make the benefit of being married greater when the economy allows.’”

*Daily Telegraph, 22 January 2010*

- But George Osborne described the *Telegraph's* suggestion that marriage tax cuts could be paid for through green taxes as “a bizarre story that bears no relation to the reality of our thinking in this area”.

Justin Webb: Let me turn now to a story of the front page of the *Telegraph*. ‘Tory tax on drivers to pay for marriage allowance’. We’ve of course heard a lot about the marriage allowance. How it would be paid on this programme apart from anywhere else. The *Daily Telegraph* has heard from a shadow cabinet minister who told the paper we could introduce, re-introduce the fuel duty escalator. This is the petrol duty increases where it increases by several pence what more than inflation every year. Is that something you would rule out? Was that shadow cabinet minister speaking out of turn?

George Osborne: Well it’s a bizarre story that bears no relation to the reality of our thinking in this area. I’m

not sure how it came about and I have made it clear, or my office made it clear to the newspaper – I'm of course a great supporter normally of the *Daily Telegraph* but in this case they have got that story wrong.

Justin Webb: Well it's not them though is it? They would say it's the shadow cabinet minister who's got his story wrong or hers.

George Osborne: Well look it's an un-sourced you know comment. I mean the point I'd make is that we are not planning as I think that newspaper report suggests to jack up road taxes in order to fund anything. So you know that is not our ... that does not as I say match with the reality of our plans.

*BBC R4 Today, 22 January 2010*

### *Distributional analysis*

- In answer to a Written Parliamentary Question, Treasury Minister Lord Myners produced the Treasury's current estimate of the amount that this policy would benefit married couples each year depending on their incomes. It shows that for the poorest 10 per cent of the population, this policy would be worth on average only £30 a year but for the richest 10 per cent of the population, it would be worth on average £380 a year.

#### **Asked by Lord Oakeshott of Seagrove Bay**

To ask Her Majesty's Government what is their latest calculation of the financial effect by income decile of making the personal allowance transferable between married couples and those in civil partnerships for each of the next five years. [HL72]

**The Financial Services Secretary to the Treasury (Lord Myners):** Due to the complex nature of this Question, the following estimates should be treated with caution. These estimates exclude any behavioural response to the change, which could be significant given the magnitude of the change. Information on average gains by income decile of all UK households as a result of making personal allowances transferable between married couples and those in civil partnerships in 2009-10 are shown in the table below.

	Average gain
Income decile	(£ per year)
Bottom	30
2nd	90
3rd	120
4th	140
5th	160
6th	200
7th	220
8th	240
9th	310
Top	380

These estimates have been calculated from HM Treasury's tax and benefit static micro-simulation model using Family Resources Survey 2007-08 data updated to 2009-10 levels of prices and earnings. The model does not take into account behavioural changes in response to changes to the tax and benefit system or economic conditions so if the model was used to produce the financial effect for five years, it would show similar results for each year.

*Hansard, 26 Nov 2009: Column WA6*

<http://www.publications.parliament.uk/pa/ld200910/ldhansrd/text/91126w0001.htm#0911262900012>

- Lord Myners has also answered a Parliamentary Question on the Treasury's current estimate of the beneficiaries of this policy, showing that 59 per cent of married couples would not benefit from the tax change.

"The estimated cost of allowing personal tax allowances to be transferred between married couples and civil

partners would be £4.9 billion for 2009-10 and would benefit around 41 per cent of married couples and civil partnerships. Married couples with children will be better off by around £290 per year on average. Those without children will be better off by around £150 per year on average.

These estimates have been calculated using HM Treasury's tax and benefit micro-simulation model using Family Resources Survey 2007-08 data.

*Lord Myners, Lords Hansard, 27 October 2009, Columns WA143-WA144*

<http://www.publications.parliament.uk/pa/ld200809/ldhansrd/text/91027w0008.htm#09102779001493>

## Inheritance tax cuts

### Summary

- The Conservatives have been committed to cutting inheritance tax since 2007.
- The Conservatives propose to fund cuts in inheritance tax by raising large amounts from a non-domicile levy. An HM Treasury costing of their non-dom policy found that it would raise a fraction of the amount the Conservatives had predicted, leaving a substantial funding gap. See p. 67 for more information.
- The Conservatives have not said when this tax change would be introduced so, following the methodology of this document, it has only been counted as coming into full operation by 2014/15, although indicative figures for earlier years are provided below in brackets.

2010/11	2011/12	2012/13	2013/14	2014/15
(£500m)	(£1,200m)	(£1,400m)	(£1,500m)	<b>£1,500m*</b>
<i>*HM Treasury have not made estimates beyond 2013/14 so a flat projection has been assumed.</i>				

### The Conservative Commitment

- The Conservative Party has been committed to increasing the inheritance tax threshold since October 2007, confirming the precise extent of the policy in 2008.

"The next Conservative Government will raise the Inheritance Tax threshold to £1 million. That means, we will take the family home out of inheritance tax. In a Conservative Britain, nine million families will benefit. In a Conservative Britain, only millionaires will pay death duties. In a Conservative Britain, you will not be punished for working hard and saving hard. You will not be penalised for wanting a better life for your children."

*George Osborne, Speech to Conservative Party Conference, 1 October 2007*

"I am happy to confirm that our inheritance tax proposal will introduce a threshold of £1m per person (not per couple). This means that it would be possible for a married couple to enjoy a threshold of £2m."

*Theresa May, Daily Telegraph, 3 September 2008*

### Basis of Costing

- In answer to a written Parliamentary Question in March 2010, Treasury Minister Lord Myners confirmed the Treasury's current estimate of the cost at £500 million in 2010/11, £1.2 billion in 2011/12, £1.4 billion in 2012/13 and £1.5 billion in 2013/14.

#### **Asked by Lord Oakeshott of Seagrove Bay**

To ask Her Majesty's Government what is their most recent estimate of (a) the costs, (b) the number of tax-paying estates that would benefit, and (c) the distributional impact of the benefit, of increasing the inheritance tax threshold to £1 million for each of the next five years. [HL2264]

**The Financial Services Secretary to the Treasury (Lord Myners):** The cost of increasing the inheritance tax threshold to £1 million with effect from April 2010 is estimated at £500 million in 2010-11, £1.2 billion in 2011-12, £1.4 billion in 2012-13 and £1.5 billion in 2013-14. Current forecasts do not go beyond 2013-14.

*Lord Myners, Lords Hansard, 8 March 2010, Column WA24,*

<http://www.publications.parliament.uk/pa/ld200910/ldhansrd/text/100308w0005.htm#1003084300111Z>

- George Osborne has not revealed when in a Parliament he intends to introduce this change.

He has said it “cannot be a priority for our first Budget” and “not likely... in the first couple of budgets”. If it were introduced in a third Conservative Budget, the cumulative cost of the pledge would be £5.6 billion. If it were introduced in the final year it would cost at least £1.5 billion.

“Encouraging savings is why I made my promise that only millionaires would pay inheritance tax. Of course this financial crisis means it cannot be a priority for our first Budget, but in the lifetime of a Parliament we will honour that pledge.”

*George Osborne, Speech to Conservative Party Conference, 06 October 2009*

But I am clear that over time when we can afford it and as I have said we’re not likely to be able to afford it in the first couple of budgets but later in the Parliament we want to help people who have saved through their lives, who have done the right thing and who want to leave something to their children and I am very happy to debate aspiration with the Labour Party.

*George Osborne, The Andrew Marr Show, 6 December 2009*

### The Conservative reaction

- The Conservatives remain committed to this tax cut, and have repeated this commitment since the new year. They have not disputed HM Treasury’s costing, but they do continue to claim that the revenue raised by their proposed non-doms levy is enough to cover the cost of the policy (see p. 67).

“We will raise the Inheritance Tax threshold to £1 million to help millions of people who aspire to pass something on to their children, and we will take 9 out of 10 first time buyers out of stamp duty by raising their threshold to £250,000. These will be paid for by a simple flat rate levy on all nondomiciled individuals in return for certainty over their future tax treatment.”

*Conservative Party, “A New Economic Model: Eight Benchmarks for Britain”, 2 February 2010, p. 10*

### Notes

#### *Non-domicile levy*

- The Conservative Party have said this will be funded by their plans for an expanded non-domicile levy (see p. 67), but these plans raise substantially less revenue each year than is needed to fund this promise – £50 million in 2014/15, or just over 3% of the £1.5 billion needed.

#### *Distributional analysis*

- In a parliamentary written answer in March 2010, Treasury Minister Lord Myners published analysis showing that over half of the benefit from this policy change goes to the 3,000 estates worth over £1 million, offering them a tax cut of over £200,000 on average.

The latest estimates of numbers of estates for deaths in 2010-11, which would be taxpaying under the current regime, and the amount of tax that would no longer be payable under the increased threshold, are shown in the table below.

<b><i>Number of estates benefiting from £1 million threshold by estate size (year of death 2010-11)</i></b>		
<i>Estate size</i>	<i>Number of estates</i>	<i>Total tax no longer payable (£ billion)</i>
£0-£0.5 million	3,000	0.1
£0.5-£1 million	5,000	0.5
Over £1 million	3,000	0.7

*Lord Myners, Lords Hansard, 8 March 2010, Column WA24,*

<http://www.publications.parliament.uk/pa/ld200910/dhansrd/text/100308w0005.htm#1003084300111>  
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## Reverse impact of abolition of dividend tax credit

### Summary

- The Conservatives have pledged to “reverse the effects on pension savers of the 1997 abolition of the dividend tax credit for pension funds”.
- They have repeatedly described this abolition as a “£5 billion a year raid on pension funds”.
- They have not said how they will do this, although they have hinted that one method would be to abolish stamp duty on shares.

2010/11	2011/12	2012/13	2013/14	2014/15
(£5,000m)	(£5,000m)	(£5,000m)	(£5,000m)	<b>£5,000m</b>

### The Conservative Commitment

- In his 2009 Party Conference speech, George Osborne reiterated his promise to reverse the effects of what he called “Gordon Brown’s pensions tax raid”.

“So today I say we will reverse the effects of Gordon Brown’s pensions tax raid and get our country saving again.”

*George Osborne, speech to Conservative Party Conference, 6 October 2009*

- In their February document “A New Economic Model”, the Conservatives repeated their commitment to “reverse the effects on pension savers of the 1997 abolition of the dividend tax credit for pension funds”.

“Over the longer term, we will reverse the effects on pension savers of the 1997 abolition of the dividend tax credit for pension funds.”

*Conservative Party, “A New Economic Model: Eight Benchmarks for Britain”, 2 February 2010, p. 10*

- David Cameron said in January 2010 that this could happen “across a five year Parliament”.

“Well I think people also understand though across a five year Parliament there are opportunities to put your values into practice and so it’s quite rational to say look I do support marriage, I do want us to help savers, I do want us to start to reverse the problems in our pension system caused by Gordon Brown’s repeated tax raids but I think you understand, the public understand, we cannot make all these promises upfront.

*David Cameron, BBC News Channel, 4 January 2010*

### Basis of Costing

- George Osborne and David Cameron have repeatedly said that the abolition of the dividend tax credit was worth £5 billion per year.

“You don’t create a share-owning democracy with a £5 billion raid on the pension funds of people who’ve worked and saved all their lives.”

*George Osborne, speech to Conservative Party Conference, 4 October 2005*

“In 1997 we had one of the strongest private pension systems in the world. Not any more. The notorious raid on the pension funds has taken £5 billion a year out of people’s savings.”

*David Cameron, speech to Age Concern, 23 October 2006*

“No longer will it be possible for important changes – like Brown’s £5 billion raid on pension funds – to be sneaked out in the small print of an appendix. With a Conservative Chancellor, the Budget speech will be an honest reflection of the measures in the Budget itself.”

*David Cameron, speech in Bath, 22 March 2007*

- David Cameron has been clear that his preferred method of doing this would be to abolish stamp duty on shares, and George Osborne has repeatedly spoken of his support for this idea.

"And even if we could, I'm not sure if you talk to the pension funds and the people responsible for the pensions industry, I'm not sure that a straight reversal of the advanced corporation tax change would be the right thing to do. Some of them will say to you if you have some money available to help pension funds, actually abolishing stamp duty on share transactions would probably be better because that would reduce the running costs of the pensions funds and that would help them."

*David Cameron, Cameron Direct, Selby, 2 July 2008*

"Of all the damaging things Gordon Brown has done to the economy, the single most destructive has been the attack on personal pensions," Mr Osborne said. Repairing that damage "has got to be a top priority", he said.

"Sadly, simply reversing the pensions tax he imposed in 1998 wouldn't work, as many final salary schemes have closed. "We need to look at new ways of repairing the damage and that is why I am particularly keen to look at stamp duty on shares."

*George Osborne, BBC News online, 27 August 2006*

[http://news.bbc.co.uk/1/hi/uk\\_politics/5289954.stm](http://news.bbc.co.uk/1/hi/uk_politics/5289954.stm)

"I have long argued that there is a powerful case for looking at stamp duty on shares, which raises the costs of capital and reduces investment."

*George Osborne, 'A different vision for the economy', Birmingham, 6 March 2009*

- On 2 December 2009, in response to a request under the Freedom of Information Act, HM Treasury published analysis showing that this pledge would cost £4,700m in 2010/11, £4,940m in 2011/12 and £5,200m in 2012/13.

The details of these internal projections of receipts from Stamp Taxes on Shares are;

2009/10 £4480m

2010/11 £4700m

2011/12 £4940m

2012/13 £5200m

*HM Treasury Costing, Released following a Freedom of Information Request, 2 December 2009,*

[http://www.hm-treasury.gov.uk/d/foi\\_oppcostings4.pdf](http://www.hm-treasury.gov.uk/d/foi_oppcostings4.pdf)

## Notes

- Another possible option, the restoration of the dividend tax credit, has been criticised by pensions experts.

"Another, more surprising announcement from George Osborne was a pledge to 'reverse the effects on pension savers of the 1997 abolition of the dividend tax credit.'

"Gordon Brown has often been criticised for removing this tax credit, which represented a significant sum of money to many pension schemes. Its abolition is seen as one of the key reasons for the downfall of many final salary pension schemes.

"While those in the pensions industry welcome the proposal, many feel there are more effective ways to get the public interested in saving.

"Martin Palmer, head of corporate pensions marketing at Friends Provident, says any move to help pension savers is positive, but says dividend tax credit is simply too expensive to restore.

"'Bringing back dividend tax credit would cost the Treasury billions, at a time when it needs to save money. It will not resonate with the public either, as many do not understand what effect it will have on their retirement savings,' he says.

"Palmer says measures to encourage employers to increase their pension contributions would be more easily understood by employees, and might also tackle problems of levelling down once auto-enrolment begins."

*IFAonline.co.uk, 19 February 2010, <http://www.ifaonline.co.uk/ifaonline/news/1592767/osborne-urged->*

[forge-links-finance-industry](#)



# Tax Reversals

This section sets out tax reversals which the Conservatives have promised to make, reversing £6.89 billion of planned tax increases.



## Raise National Insurance Contributions thresholds

### Summary

- The Government's deficit reduction plan includes an increase in National Insurance Contributions for those earning over £20,000, to come into effect from 2011/12 onwards.
- The Conservatives have promised to raise the income level at which people start to be affected by this rise to £35,000, by increasing the threshold at which National Insurance Contributions are paid by employees. They have also promised to raise the threshold from which employers begin to pay National Insurance Contributions.
- The Conservatives have claimed that these changes would be paid for by efficiency savings to be delivered from 2010/11 onwards (discussed on p. 75). But they have set out no credible plan for going further than the Government on efficiencies.
- As a result of this their plans means an unfunded tax cut in each year from 2011/12.

2010/11	2011/12	2012/13	2013/14	2014/15
-	<b>£6,000m</b>	<b>£6,300m</b>	<b>£6,300m</b>	<b>£6,700m</b>

### The Conservative Commitment

- George Osborne has promised to raise National Insurance Contributions thresholds to stop Labour's proposed increase.

"Gordon Brown may raise taxes on working people to pay for waste, but we will not.

"We will take his national insurance tax plans and we will raise the primary threshold for employees by £24 a week and the upper earnings limit by £29 a week.

"We will raise the secondary threshold at which employers start paying national insurance by £21 a week.

"Compared to life under Gordon Brown, every national insurance payer earning between £7,100 and £45,400 will be up to £150 better off.

"The tax on every single job with a salary of more than £5,700 will be reduced for employers by up to £150.

"Under the Conservatives seven out of ten working people in Britain will be better off than under Labour – and nobody will be worse off.

"People on lower incomes will receive a tax cut - indeed they will benefit the most as a proportion of their earnings."

*George Osborne, Press Conference, 29 March 2010*

### Basis of Costing

- The Conservatives have set out the following changes they would make to National Insurance Contributions.

"Labour are planning to raise Employees National Insurance Contributions (NICs) for everyone earning over £20,000. We will stop this increase altogether for everyone earning under £35,000 by raising the primary threshold at which people start paying NICs by £24 a week, and raising the Upper Earnings Limit by £29 a week.

"Relative to Labour's plans everyone liable for Employees NICs earning between £7,100 and £45,400 – which is 7 out of 10 working people – will be up to £150 better off a year under the Conservatives. Lower earners will get the greatest benefit as a percentage of their earnings. Nobody will be worse off.

"Labour are also planning to raise Employers NICs for everyone earning over £5,700. This is a tax on jobs that will undermine the recovery. We will raise the secondary threshold at which employers start paying NICs by £21 a week, saving employers up to £150 for every person they employ relative to Labour's plans. This will reduce the cost of Labour's tax rise on employers by more than half."

*Conservative press release, 29 March 2010*

- HM Treasury's costing of this policy was set out in Parliament in March 2010 by Chief Secretary to the Treasury Liam Byrne.

"Even the shadow Chancellor has said that that will cost £5.6 billion, but the Treasury has now costed those increases in national insurance thresholds at £6 billion in 2011-12, £6.3 billion in 2012-13 and 2013-14, and £6.7 billion in 2014-15."

*Liam Byrne, Hansard, 30 March 2010, column 738*

### **Notes**

- The Conservatives say that they will pay for this tax cut through efficiency savings (discussed on p. 75).

## Oppose Broadband levy

### Summary

- The Government has plans to introduce a 50p per month levy on fixed telephone lines and published the predicted revenue from this change PBR09.
- The Conservatives have said that they intend to reverse this levy "as soon as possible" after an election. They have not set out what specific tax increases or spending reductions would make up the shortfall in revenue from 2010/11 onwards.
- The costings used here are taken directly from PBR09.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£90m</b>	<b>£175m</b>	<b>£175m</b>	<b>£175m*</b>	<b>£175m*</b>
*HM Treasury have not published figures beyond 2012/13 so a flat projection has been assumed.				

### The Conservative Commitment

- Shadow Culture, Media and Sport Secretary Jeremy Hunt has been committed since October 2009 to reversing the proposed levy on fixed telephone lines.

Jeremy Hunt said a Conservative government would scrap a proposed 50p a month tax on all telephone lines, aimed at raising about £175m a year towards the cost of funding superfast broadband to UK homes, "as soon as possible" after the election, expected in May.  
*Financial Times, 18 October 2009*

"The phone tax is misguided, dangerous and unnecessary, which is why we have pledged to scrap it. The Government's own figures suggest that this tax will make the internet unaffordable for hundreds of thousands of people and will especially penalise low-income families. This makes a complete mockery of Gordon Brown's boasts today about promoting universal access. We can't go on like this. We will deliver nationwide super-fast broadband by 2017 without the burden of extra taxation but by deregulating the market, encouraging private sector investment and considering the use of the proportion of the licence fee dedicated to digital switchover to ensure there is no digital divide."  
*Jeremy Hunt, press release, 22 March 2010*

### Basis of Costing

- The 2009 Pre Budget Report included the following estimate of the revenue raised by this policy.

	£ million			
	2009-10	2010-11	2011-12	2012-13
Digital Britain: Landline Duty	0	+90	+175	+175

*Pre-Budget Report 2009. Annex B, p 173*

[http://www.hm-treasury.gov.uk/d/pbr09\\_annexb.pdf](http://www.hm-treasury.gov.uk/d/pbr09_annexb.pdf)

### The Conservative reaction

- The Conservatives say that this costing is "factually incorrect".

"Labour's attack is factually incorrect. We will abolish Labour's broadband levy because we do not need these revenues to achieve a national roll-out of high speed broadband. Instead, we will unleash billions of pounds of private sector investment by forcing BT to open up its infrastructure to allow other operators to deliver super-fast broadband across the country."  
*Conservative Party press release, 4 January 2010, p. 5*

- The Conservatives have ignored the fact that there is industry consensus on the need for public investment to deliver next generation broadband to the whole of the UK.
- The government's advisory body on broadband, the Broadband Stakeholder Group, which represents voices across the industry, has said that rolling out broadband across the UK, especially in rural areas, would need to involve the public sector. Evidence suggests that without public sector intervention existing companies would focus deployment "on more urban areas."

"On balance it appears probable that if the more rural areas are to receive next-generation broadband access there will need to be a mixture of demand- and supply-side interventions from the public sector, similar to what happened with the first generation of broadband services."

*Final report for the Broadband Stakeholder Group, The costs of deploying fibre-based next-generation broadband infrastructure, 08 September 2008, p. 19*

"BT and Virgin Media have announced their intention to deploy next-generation broadband infrastructure. While Virgin Media's roll-out is dictated by the coverage of its existing network (which is concentrated mainly in urban areas), the geographical location of BT's deployment is not yet known. However, information currently available from BT suggests that, in the absence of any form of public-sector intervention, its deployment will be focused on more urban areas."

*Final report for the Broadband Stakeholder Group, The costs of deploying fibre-based next-generation broadband infrastructure, 08 September 2008, p. 19*

- Based on a detailed model of the UK and consensus views on broadband deployment, the private sector is expected to deliver next generation services to 67% of the population. Above this, the costs of deployment to the final third of the population increase sharply (*Source: Digital Britain, Final Report, June 2009, Figure 4, p. 62, Figure 4*).
- By refusing to accept this economic analysis the Tories risk creating a digital divide between the two thirds of people living in areas easily served by the market and the "final third" - those towns and rural communities where the market will find it harder to reach. Tory claims that "forcing BT to open up its infrastructure" will result in billions of private investment to reach this "final third" is not supported by the economic analysis.
- Labour's 50p levy will raise £440 million by 2013 which will leverage further investment from the private sector to support the delivery of next generation broadband to ensure 90% of British households have access to next generation broadband by 2017.

## Oppose cider duty increase

### Summary

- The Conservatives have promised to remove the increase in cider duty announced in the 2010 Budget.
- HM Treasury estimates that the duty increase will add 5p to the price of a litre of cider and will raise £15 million per year.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£15m</b>	<b>£15m</b>	<b>£15m</b>	<b>£15m*</b>	<b>£15m*</b>
*HM Treasury has not provided figures beyond 2012/13, so a flat projection has been assumed.				

### The Conservative Commitment

- In Budget 2010, cider duty was increased by 10 per cent above inflation.

"Cider duty rates will increase by 10 per cent above inflation on 29 March 2010 to bring them more into line with the duty rates on other alcohol products. From 1 September 2010, the technical definition of cider will be changed to ensure products that more closely resemble made-wines are taxed appropriately. No changes will be made to the structure of cider duty but this will be kept under review."

*HM Treasury, Budget 2010, p. 81*

- HM Treasury estimates that this will increase the price of a litre of cider by 5 pence.

	Effect of tax* on typical item (increase in pence)	Unit
Cider	5	Litre bottle typical strength

\* Tax refers to duty plus VAT.

*HM Treasury, Budget 2010, p. 135*

- George Osborne promised to remove this increase in cider duty, which he described as "a huge duty rise on all cider drinkers".

"Then, yesterday, the Chancellor said that he was taxing the drinks that caused the binge drinking problems. That also struck a chord with me, because the Conservatives had announced that at our conference last autumn. It seemed, then, to have been adopted by the Government, but, when we look at the small print, we see that they have not exactly copied our idea. They have used it as a cloak for a huge duty rise on all cider drinkers, instead of just on the super-strength white ciders that are linked to problem drinking. That will hit the industry hard and it is something that we oppose."

*George Osborne, Hansard, 25 March 2010, Column 398*

### Basis of Costing

- HM Treasury estimates that this measure will raise £15 million per year. As no figures have been provided beyond 2012/13, we have assumed a flat projection beyond this point.

	£ million		
	2010-11 indexed	2011-12 indexed	2012-13 indexed
Cider duty: increase in rates in 2010-11	+15	+15	+15

*HM Treasury, Budget 2010, p. 120*



# Tax Increases

This section sets out tax increases worth £0.05 billion, which the Conservatives have pledged to introduce.



## Non-domicile levy

### Summary

- The Conservatives have pledged to impose a £25,000 levy on resident non-domiciles, rather than applying a charge only to those non-domiciles who have been in the country for seven years as the Government currently does.
- In their costing, the Conservatives extrapolated from 2004/5 data and overestimated the number of resident non-doms. Since then, Shadow Business Secretary Ken Clarke has admitted “we don’t know how many non-doms will be here”.
- Using more up to date self assessment returns, the correct non-domicile definitions and taking into account changes to non-dom rules made by the Government, an HM Treasury costing of this policy found that it raised dramatically less than the Conservatives had predicted.
- A subsequent Freedom of Information Act disclosure released in March 2010 showed that HMRC have been accurate to within 5% in estimating the number of non-doms who would pay the current levy. The IFS says that the evidence so far “suggests that the Treasury’s estimates are right. If they continue to be right, the Tories would have a black hole of around a billion pounds”.
- These more accurate figures show that the revenue raised is insufficient to pay for the cut in inheritance tax that it was designed to fund (see p. 50).

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£150m</b>	<b>£100m</b>	<b>£50m</b>	<b>£50m*</b>	<b>£50m*</b>
*HM Treasury have not made estimates beyond 2012/13 so a flat projection has been assumed.				

### The Conservative Commitment

- The Conservative Party has been committed to a £25,000 levy on non-domiciles since October 2007.

“There are currently a number of people living in Britain who register for non-domiciled tax status offshore. It is a good thing for Britain that they live here and bring their talent and their investment to our economy. I make this promise: I am not going to tax all that income as Gordon Brown has persistently threatened to do. But in return for that promise and the certainty it brings, we will charge a flat annual levy of around £25,000 for those who register for non-domicile status. It is easy to administer, difficult to avoid and strikes the right balance between a fair tax system and a competitive economy.”

*George Osborne, Speech to Conservative Party Conference, 1 October 2007*

- They have continued to say that this is how they will pay for their commitment on inheritance tax.

“We will raise the Inheritance Tax threshold to £1 million to help millions of people who aspire to pass something on to their children, and we will take 9 out of 10 first time buyers out of stamp duty by raising their threshold to £250,000. These will be paid for by a simple flat rate levy on all nondomiciled individuals in return for certainty over their future tax treatment.”

*Conservative Party, “A New Economic Model: Eight Benchmarks for Britain”, 2 February 2010, p. 10*

### Basis of Costing

- The revenue yield of this policy was revealed in a parliamentary written answer on 7 December 2009.

**Asked by Lord Oakeshott of Seagrove Bay**

To ask Her Majesty’s Government what would be the effect on public finances of charging all individuals who indicate they are non-domiciled for tax purposes a flat fee of £25,000 per annum instead of their measures for such people. [HL75]

**The Financial Services Secretary to the Treasury (Lord Myners):** The overall net Exchequer yield of introducing of a flat £25,000 annual levy on all resident non-domiciled individuals is displayed in the table below.

Column one shows the additional amount raised above the changes introduced at the 2007 Pre-Budget Report. Column 2 shows the amount this would raise if the Government had not introduced the 2007 Pre-Budget Report package.

Tax Year	Exchequer yield relative to the post FA 2008 position	Exchequer yield relative to the pre-2008 position
2008-09	0	0
2009-10	350	1050
2010-11	150	650
2011-12	100	600
2012-13	50	550

£m nearest £50m

These figures are based on self assessment returns for the tax year 2006-07.

It is assumed that the charge would be levied only on non-domiciled individuals who chose to pay tax on the remittance basis (as under the current FA08 rules). The remittance basis means that individuals are only liable to tax on their foreign income and gains to the extent that they are remitted to the UK. Those not wishing to pay the £25,000 charge for access to the remittance basis would be able to opt for the arising basis and pay income tax on all their foreign income whether remitted to the UK or not.

Secondly, it is assumed that the £25,000 charge will not replace all other tax liabilities on remitted foreign income and that resident non-domiciles on the remittance basis will continue to pay tax on income and gains remitted to the UK.

The revenue effect of levying a charge on all non-domiciled, both resident and non-resident, individuals is not available.

Lords Hansard, 7 December 2009, Columns WA100-WA101,

<http://www.publications.parliament.uk/pa/ld200910/ldhansrd/text/91207w0004.htm#09120728000527>

- “Non-resident” non-doms have not been included in these costings because the Conservatives have been explicit that their policy refers only to resident non-domiciles:

“Hold on, the package I announced this week in my speech was paid for by the – or is going to be – paid for by the levy on the resident non domiciles.”

*George Osborne, Daily Politics, 3 October 2007*

“Well it means people who are living in this country so they are residents here, but they don’t pay tax on their off-shore income. There are quite a considerable number of these people.”

*George Osborne, Today Programme, 1 October 2007*

“Conservative proposals would introduce an annual Offshore Domicile Levy for UK residents who are domiciled offshore for tax purposes.”

*Conservative Party Policy Document: “An Offshore Domicile Levy”, 5 October 2007, p1*

“Setting the Levy at around £25,000 strikes the right balance between ensuring that all UK residents pay their fair share towards our public services and maintaining the competitiveness of the UK as a location for high net worth individuals.”

*Conservative Party Policy Document: “An Offshore Domicile Levy”, 5 October 2007, p3*

“Because the Levy is set at around £25,000 we also expect that very few individuals will choose to become resident outside of the UK in order to avoid it.”

*Conservative Party Policy Document: “An Offshore Domicile Levy”, 5 October 2007, p4*

- When the Conservatives announced this policy in 2007 they estimated that it would raise

£3.5bn per year. They arrived at this figure by taking 2004/5 data on the number of non-domiciles and assuming that it would grow by 7 per cent a year. This gave them a figure of 150,000 non-domiciles, of whom 120,000 would pay the full levy and 30,000 would pay on average half the full levy, giving them an overall revenue increase of £3.5bn.

- The number of individuals registered as non-domiciled in 2004-05 was 112,000. This was a 72% increase on the 65,000 three years previously in 2001-02 (or a 20% annual growth rate over three years), but only a 7% increase on the 105,000 in the previous year 2003-04 (Hansard 30 April 2007, Column 1383W; Reviewing the residence and domicile rules as they affect the taxation of individuals: a background paper, HM Treasury, April 2003; Hansard, 16 July 2007, Column 94)
- To calculate the most conservative estimate of the number of individuals likely to be registered as non-domiciled in the tax year 2008-09, we extend the 7% growth rate above for four years, which gives a total of 150,000. Extending the more likely 20% annual growth rate over the three years from 2001-02 to 2004-05 creates a higher estimate of about 230,000.
- Experts suggest that the number has increased extremely rapidly, particularly in response to the Treasury's recent crackdown on offshore accounts (Financial Times, 13 August 2007). As a result the true number is likely to be in excess of 200,000, but in order to be cautious we base our calculations on the lowest reasonable estimate of 150,000.
- If all 150,000 pay a full rate of £25,000 then the Levy would raise £3.75 billion a year. Given that the average declared UK income of non-domiciled individuals is now in excess of £100,000, the vast majority will pay the Levy at the full rate. Because the Levy is set at around £25,000 we also expect that very few individuals will choose to become resident outside of the UK in order to avoid it.
- We cautiously assume that 20,000 out of the 150,000 do not have sufficient foreign source income to pay the full rate and instead pay on average half the full rate at around £12,500 each (equivalent to 40% tax on £31,250 foreign source income).
- This results in a final estimate of £3.5 billion, based throughout on prudent estimates of the number of non-domiciled individuals and their average foreign income.

*Conservative Party Policy Document: "An Offshore Domicile Levy", 5 October 2007, pp. 3-4*

- Following PBR07, the Conservatives maintained their estimate of the number of non-domiciles, and assumed that the Government's plans would reduce the revenue of the Conservative levy by 20 per cent – from £3.5bn to £2.8bn.
  - When originally announced, our levy of around £25,000 on non-doms would have raised £3.5 billion.
  - The Government copied the idea of a flat levy, set at £30,000, but only applied it to non-doms who have been here for 7 years – they admit that this is less than 20% of all non-doms.
  - Our policy will apply to all non-doms, so it will raise about 80% of the original £3.5 billion, which is £2.8 billion. This is on top of the revenues from the Government's policy.
  - This is more than enough to fund our IHT and Stamp Duty commitments
  - A key difference with Labour's policy that makes our plan much more attractive to the City is that in return for our levy we would not change the rules on disclosure of assets, taxation of offshore trusts, remittance of capital, or the residency rules.

*Conservative Party press release, 6 March 2008, p. 3*

- In the parliamentary answer above, HM Treasury used more up-to-date 2006/7 data on the number of non-doms, and factored in the changes in PBR07.
- All of the Conservative costings confused resident and non-resident non-doms. While they consistently said they would apply the levy only to resident non-doms (i.e. those living in this country), they appear to have based their costings on their estimates of both resident and non-resident non-doms.

### **The Conservative reaction**

- The Conservatives describe this costing as "totally unrealistic". They have not responded on

the point that they have confused resident and non-resident non-doms. They have not provided any evidence to back up their estimate of the number of non-doms.

Labour are using unreliable figures to give a totally unrealistic costing of this policy. Labour Ministers have admitted that the data necessary to cost a levy on non-doms does not exist because data on foreign earnings of non-doms is not collected:

- “Estimates of the tax foregone in the UK as a consequence of the use of the remittance basis by those not domiciled in the UK are not routinely made. Information is not held on overseas income and gains that do not give rise to a tax liability in the UK.” (Ed Balls MP, Hansard, 30 Apr 2007, Column 1383W)

This has been confirmed by the Permanent Secretary to the Treasury:

- “The Economic Secretary’s reply remains correct: there is no complete data set for the unremitted foreign income of non-domiciles, and the costing does not contain any such estimate.” (Sir Nicholas McPherson, letter to George Osborne, 3 October 2007)

And this is why Treasury civil servants warned that official figures needed to be “treated with a great deal of caution”:

- “All figures are best estimates but need to be treated with a great deal of caution due to the lack of available data or evidence.” (HM Treasury FOI release, 3 October 2007)

*Conservative Party press release, 4 January 2010, p. 6*

- The Conservatives still appear to suggest that the non-domicile levy would cover the full £1.5 billion cost of their proposed inheritance tax cut. However, according to a Freedom of Information Act disclosure to Channel 4 by HMRC, 4,200 non-doms paid the government’s £30,000 levy in 2008/09 – just 200 more than the 4,000 the Government originally estimated. The Institute for Fiscal Studies says that this indicates that “the Tories would have a black hole of around a billion pounds”.

“We now know, from the 2008-9 tax returns which were submitted earlier this year, how many people paid the government’s new £30,000 non-dom charge. A grand total of 4,200 non-doms coughed up, according to HMRC figures released to FactCheck under the Freedom of Information act.

“This figure may change if tax returns come in late, but so far it looks to be very close to the government’s estimate that 4,000 non-doms would cough up.

What does this tell us?

“The Treasury and the Tories have both been putting out a lot of numbers; this is the first vaguely verifiable number,” said Stuart Adam, a senior research economist at leading economic think tank the Institute for Fiscal Studies.

“The Tories are more optimistic than Labour on how much the non-dom charge will raise,” he said. “The first number we have suggests that the Treasury’s estimates are right. If they continue to be right, the Tories would have a black hole of around a billion pounds.”

*Channel 4 FactCheck, 15 March 2010, <http://blogs.channel4.com/factcheck/2010/03/15/closing-the-non-dom-black-hole/>*

- This suggests that the Treasury estimates of the number of non-doms were correct, to within 5%, indicating that its costing of the Conservative proposal is broadly accurate and that the Conservative non-dom policy falls well short of covering the tax cuts it is designed to pay for.

## Notes

- Both the Institute for Fiscal Studies and the Shadow Business Secretary Ken Clarke have raised very serious questions about the revenue raising prospects there are for this policy – with Clarke saying “we don’t know how many non-doms will be here, we don’t know how much our policy of raising fair taxation from foreigners who work in this country will raise”.

“They think that that would raise enough to pay for their inheritance tax cut also to eliminate stamp duty for many first time house buyers, that may be the case but how much the non-dom policy raises is very uncertain, we don’t know how much it would raise, the government doesn’t know, the Conservative Party don’t know for sure.”

*Carl Emmerson, Institute for Fiscal Studies, Radio Four, World At One, 23 March 2009*

"We've given ourselves a Parliament to do it and as you quite rightly say, as everything is changing very rapidly we won't know until 2010 firstly how much the pledge will cost because the cost of the pledge is coming down all the time, house prices are falling, people dying now are leaving estates which have lost wealth compared with when they were alive. We don't know how many non-doms will be here, we don't know how much our policy of raising fair taxation from foreigners who work in this country will raise, so within a Parliament we will implement a promise, we are committed to it and that's what we will do."

*Kenneth Clarke, BBC 24, 25 March 2009*

- The Conservatives claimed that this would pay for their plans to introduce an inheritance tax cut (see p. 50). However, even if this policy were to be introduced immediately and the tax cuts only introduced in the final year of a Conservative Government, there would still be a substantial shortfall in revenue.



# Spending Reductions

This section sets out spending reductions worth £6.418 billion, which the Conservatives have promised to make.



## Cut Government "waste"

### Summary

- The Conservatives have promised to cut public spending by £6 billion in 2010/11 by "cutting Government waste".
- However, there is nothing in anything the Conservatives have outlined to indicate that these savings are additional to either the £35 billion efficiency savings plan already being implemented by the Government by April 2011, or the £16 billion of identified efficiencies and cuts running from April 2011 into the next Spending Review period.
- In fact, any suggestion that these "efficiencies" might be real savings identified by the Conservatives was dispelled by Shadow Chief Secretary to the Treasury Philip Hammond's admission that they were "not able to identify department by department savings".
- In this, the Conservative "efficiencies" differ from those already identified by the Government, which are allocated not only to departments but to more specific areas within departments.
- It is clear that the "efficiencies" claimed by the Conservatives to fund their promises are entirely imaginary – leaving them to pay for their unfunded National Insurance changes either by raising other taxes or by cutting spending even more than they have admitted.

2010/11	2011/12	2012/13	2013/14	2014/15
£0	£0	£0	£0	£0

### The Conservative Commitment

- The Conservatives have promised to spend £6 billion less than Labour in 2010/11.

"A Conservative Government will take immediate action to start cutting Government waste, in order to spend £6 billion less in 2010-11 than Labour's plans."

*Conservative press release, 29 March 2010*

- They say they will do this by making efficiency savings of £12 billion across all departmental spending, of which £6 billion will be used to reduce the deficit and £6 billion – the savings found in the Department of Health, the Department for International Development and the Ministry of Defence – will be kept by those departments.

"Peter Gershon and Martin Read have come back to us and told us that they believe that a sum of £12 billion pounds can be saved from the total of government department budgets in 2010.

"Both say explicitly that this can be done without 'reducing the quality of front line services'.

"And they have set out the ways in which these savings can be achieved quickly, 'with the right political will and managerial focus'.

"Indeed, Martin Read believes that unless a government does this in 2010, it will not achieve larger savings in later years.

"So the Chancellor's own adviser says delay is not an option.

"Philip Hammond will set out in more detail what both men recommend, and we are today publishing their advice to the Conservative Party in the interests of transparency.

"Clearly, part of the £12 billion of savings will be found in the health service and in overseas aid.

"We have made explicit commitments to protect these budgets, and so the money saved will be reinvested onto the frontline.

"In the Ministry of Defence, we are conducting a strategic defence review this year and we don't want to pre-empt that. The existing plans for the defence budget will remain unaltered this year.

"The other government departments together represent just over half of total departmental spending.

"So we are expecting them to find, together, £6 billion of savings from the waste that even the government now admits exist – and which the government's own efficiency advisers tell us can be found.

"And let me be clear – not a single penny will come from the front line services that people depend on.

"This £6 billion in savings – alongside the smaller savings we have identified by, for example, cutting child trust fund payments to the better off and stopping people with incomes over £50,000 receiving child tax credits – will be used to reduce the government's borrowing requirement for the year 2010/11."  
*George Osborne, press conference, 29 March 2010*

## **Basis of Costing**

- The Conservatives have been unable to provide any evidence that they have identified any deliverable efficiencies that are additional to the existing programmes the Government is carrying out.
- The four pages of briefing published by the Conservatives to underpin their claim to be able to fund the £6 billion cost of their NICs changes lists nothing new by way of savings. It covers IT, property costs, back-office savings, procurement, reducing central direction to drive innovation and cutting consultants. All are core parts of the Government's efficiency plan, as detailed in Budget 2010, PBR 09 and in detail in Smarter Government. This is available at <http://www.hmg.gov.uk/frontlinefirst.aspx>
- The Government has announced total savings of £20 billion across departmental current spending – which will contribute directly to reducing the deficit and protecting frontline services.
- They are £11 billion from Smarter Government, covering the same ground as the Conservative announcement discussed here, £4.4 billion from public pay restraint and steps to reform public sector pensions, and £5 billion of cuts and tough choices departments have had to make.
- Budget 2010 sets out how departments will deliver these cross cutting savings of £11 billion and further details of how tough choices worth £5bn will be made.
- The £11 billion from Smarter Government includes £8 billion from the Operational Efficiency Programme which covers exactly the same ground the Conservatives are pointing to:
  - Reducing back office costs including HR;
  - Cutting back on IT spend;
  - Smarter use of procurement spending; and
  - Further progress on reducing property running costs.
- George Osborne's suggestion that the Government has identified waste, but decided to take no action to deal with it until 2011, amounts to an admission that there are no new efficiency savings in his own plans.

"I thought the Budget was a crucial moment because there was the Chancellor of the Exchequer telling us that there is waste, telling us that there is inefficiency but delaying taking action on it."  
*George Osborne, Press Conference, 29 March 2010*

"I think what you can see is a pretty comprehensive plan to get going and I think it would be pretty extraordinary frankly if the British people in five weeks time, four or five weeks time, elected a new government and said, get going on what you've been elected to do, but don't do anything about the waste until April 2011. I mean I think that would pretty extraordinary."  
*George Osborne, Press Conference, 29 March 2010*

- George Osborne is wrong to say that no action is being taken on efficiencies in 2010/11. In fact there is already an ambitious programme of efficiencies being implemented over this

Comprehensive Spending Review period, with three years of work coming together by April 2011.

*Savings in this spending review period*

- The CSR 2007 Value for Money programme runs from 2008/09 to April 2011. It is more ambitious than Gershon and has more stringent criteria: savings must be sustained, cash releasing and net of costs. It includes a target of achieving £30 billion savings per annum by 2010-11, including a 5% reduction in all administration budgets. PBR 2008 increased this ambition and raised the target to £35bn pa, delivering an additional £5bn savings in 2010-11. The details were set out by department in Budget 2009.
- The further efficiency programme that runs from April 2011 builds on this already ambitious action.
- Beyond these two programmes, covering the same period as the Conservatives and the same operational efficiency areas, the Conservatives have been unable to provide any evidence they have identified any further deliverable efficiencies.
- Any sense that these "efficiencies" might be real things identified by the Conservatives was dispelled by Shadow Chief Secretary to the Treasury Philip Hammond. Asked several times how much of the saving would come from the Department of Energy and Climate Change, Philip Hammond admitted "we are not able to identify department by department the individual savings".

Philip Hammond: What we have set out is an overall; reduction in public spending that will be achieved by these efficiency savings. Different departments will be affected in different ways because some departments have more scope for renegotiating contracts than others.

Ed Miliband: Sure. I understand that. So how much is going to come from my department?

Philip Hammond: From opposition we are not able to identify department by department the individual savings that will depend on an analysis of the position of each department, the contracts it's engaged in, the scope for renegotiation.

*BBC News Channel, 29 March 2010*

- In this, the Conservative proposals differ from the efficiencies identified by the Government which are allocated not only to departments but more specific parts within departments.

## Savings on employment and skills programmes

### Summary

- The Conservatives have promised to introduce a number of new back to work programmes and skills policies (see p. 121 for their back to work policies and p. 125 for their skills policies) funded by scrapping the existing back to work programmes like the New Deal and Train to Gain.
- This document sets out the Conservative pledges on back to work programmes (p. 121), skills (listed on p. 125) and their savings to pay for them (savings on employment and skills programmes are listed here and welfare savings are on p. 95).
- The Conservatives attempted to produce a cost neutral package by reducing spending on existing employment and skills programmes (discussed here), making savings from moving incapacity benefit claimants into work (see p. 95) and then spending the saved money on new employment (see p. 121) and skills programmes (see p. 125). However, because they have revised down their own projected savings from Train to Gain, and their claimed savings from new welfare assessments do not go credibly beyond existing Government plans (see p. 95) there is a gap in their figures.

	2010/11	2011/12	2012/13	2013/14	2014/15
Train to Gain*	£846.66m	£846.66m	£846.66m	£846.66m	£846.66m
Diploma roll-out*	£70m	£70m	£70m	£70m	£70m
Regional Development Agency Funding*	£50m	£50m	£50m	£50m	£50m
New Deal and employment programmes*	£1,140m	£1,140m	£1,140m	£1,140m	£1,140m
Learning and Skills Council**	£85m	£85m	£85m	£85m	£85m
Adult Careers Service **	£40m	£40m	£40m	£40m	£40m
Careers Element of Connexions **	£210m	£210m	£210m	£210m	£210m
<b>Total</b>	<b>£2,442m</b>	<b>£2,442m</b>	<b>£2,442m</b>	<b>£2,442m</b>	<b>£2,442m</b>

\*These savings are given as three year savings figures from 2011/12 to 2013/14 in the October 2009 Conservative policy document "Get Britain Working". They have been annualised and assumed to be ongoing savings achievable at the same rate in coming years.

\*\*These are annual figures from the July 2008 Conservative policy document "Building Skills Transforming Lives"

### The Conservative Commitment

- The Conservatives are committed to introducing a number of new back to work programmes, funded by scrapping existing employment and skills programmes.

"Well, we have set out our funding absolutely for our Get Britain Working programme, so we will take money

that the government is using currently on programmes of getting on for £3bn and actually use that money in a different way, and in addition, we'll take some extra money from a different budget, something called Train to Gain which hasn't been providing training that people really need, and create over two years 400,000 more apprenticeships and training places."

*Theresa May, Sky News, 17 March 2010*

- The Conservative skills policy paper "Building Skills, Transforming Lives", published in July 2008, contained a number of proposals for both spending and saving on skills and careers. Some of these commitments were repeated in the 2009 document "Getting Britain Working", which also contained a number of new savings and spending commitments.
- The figures for savings from Train to Gain are different in the two documents. This document assumes that the most recent document reflects the Conservatives' most recent estimate of the savings they can make from Train to Gain.

*£846.66m from Train to Gain (£2.54bn over three years)*

**Labour Programme spend for Reallocation**

Train to gain

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p 57*

**Total Funding 2010/11-2012/13 (£m)**

2,540

*£70m from cutting funding for diplomas*

"fund 32,000 Young Apprenticeships a year at £3,200 each for the two year course. This will cost an additional £70 million, which will be reallocated from money currently spent encouraging the takeup of diplomas in schools,"

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p 46*

*£50m from the RDA budget (£150m over three years)*

**Labour Programme spend for Reallocation**

RDA budget

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p 57*

**Total Funding 2010/11-2012/13 (£m)**

150

*£1.14bn from Labour's New Deal and employment programmes (£3.42bn over three years)*

"The keystone of our new policy is *The Work Programme*, a single integrated welfare to work programme which will cover those transferring from Incapacity Benefits to Employment and Support Allowance as a result of work tests, the long term unemployed, lone parents and the recently unemployed. This fully funded programme will replace Labour's failing New Deals, the Flexible New Deal and Pathways to Work."

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p 6*

"The money from the New Deal will continue to go into our new Work Programme, but will enable us to support many more people because we are being much more aggressive in terms of payment by results. In addition, we will abolish Train to Gain and other failing Labour schemes. And we will reduce payments for those who should not be receiving Incapacity Benefits, which will deal with the extra up-front cost."

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p 6*

"The Government is currently spending around £1 billion on employment programmes for the long term unemployed and new claimants of Employment and Support Allowance. Next year that will rise to over £1.4 billion. Get Britain Working will be paid for by reallocating funding from Labour's failing New Deals and

Pathways to Work, as well as other Government jobs and skills programmes. Over time Get Britain Working will more than pay for itself through savings from welfare dependency.”

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p 57*

<b>Labour Programme spend for Reallocation</b> Labour New Deal and Employment Programmes <i>Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p 57</i>	<b>Total Funding 2010/11-2012/13 (£m)</b> 3,420
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#### *£85m from removing LSC Funding Functions and creating new FEFCE*

In the last year of its operation (2000/01), the FEFCE, the model for our plans, spent £32 million on administration, equivalent to 1.4 per cent of its budget. In 2006/07, the LSC spent £227 million on administration, equivalent to a much higher 2.1 per cent of its overall budget.

We want the new FEFCE to perform similar functions to the old FEFCE, and our consultations have indicated that it will spend a lower amount on administration than the LSC. This is likely to yield savings of around £85 million by 2010/11.

*Conservative Party, "Building Skills, Transforming Lives: A Training and Apprenticeships Revolution, Opportunity Agenda Policy Green Paper No.7", 23 July 2008, pp 27-28*

#### *£40m from refocusing spending on adult careers service*

"In 2005/06 the LSC spent £34 million on adult careers advice directly (through NextStep). We estimate that the LSC will spend £40 million on adult careers advice by 2010/11. We will redirect this money into the funds for our proposals – because we will be implementing a far greater package of all-age careers support, this LSC service will no longer be required."

*Conservative Party, "Building Skills, Transforming Lives: A Training and Apprenticeships Revolution, Opportunity Agenda Policy Green Paper No.7", 23 July 2008, p 27*

#### *£210m from refocusing careers advice element of Connexions budget*

"The Connexions Service replaced the Careers Service in 2000, leading to a decline in careers support for people. The merging of careers advice with other Connexions services is failing to provide the focus on careers advice that young people need, especially those with the most skills needs. We will redirect the estimated £209 million that the Connexions budget will use for careers advice by 2010 into funding our proposals, which will include more support for hard-to-reach young people. As with the existing adult careers advice mentioned above, we will be implementing a far greater package of all-age careers support, so these particular careers services will not be required."

*Conservative Party, "Building Skills, Transforming Lives: A Training and Apprenticeships Revolution, Opportunity Agenda Policy Green Paper No.7", 23 July 2008, p. 28*

### **Basis of costing**

- The Conservatives say they plan to make cuts to the Train to Gain budget, and make savings by removing funding functions from the Learning and Skills Council. They would reduce spending on careers advice, make cuts to RDAs, and cut funding for vocational courses. The spending reductions they would make were set out in the two documents noted above and these have been used in this document.

*From "Building Skills, Transforming Lives", 23 July 2008:*

#### **3.1 EXPENDITURE IMPLICATIONS (2010/11)**

<b>Releasing funds for priority spending:</b>	<b>£1,360m</b>
1. Refocus 2010/11 Train to Gain budget on apprenticeships	£1,025m
2. Remove LSC funding functions and create new FEFCE	£85m



**Notes**

- The Conservatives attempted to produce a cost neutral package by reducing spending on existing employment and skills programmes (discussed here), making savings from moving incapacity benefit claimants into work (see p. 95) and then spending the saved money on new employment (see p. 121) and skills (see p. 125) programmes.
- However, their most recent policy document revised down their own projected savings from Train to Gain (see above).
- Secondly, their policy relies on making substantial immediate savings by testing existing incapacity benefit claimants' ability to work and moving them to job seekers allowance if they are judged able to work. But under existing Government plans, over 3 years, all existing claimants will go through the new assessment too. The Government is undertaking this total re-assessment as rapidly as is practicably possible, testing thousands of people each week, alongside support to get people back to work. Therefore there are no additional savings beyond the Government's plans unless the Conservatives are proposing arbitrary cuts in benefits (see p. 95).

## Reduce spending on Building Schools for the Future

### Summary

- The Conservative Party have pledged to reduce spending on Building Schools for the Future (BSF) to reallocate funding to create new school places in Swedish style academies (see p. 130).
- The Conservative figures have been used on these increased capital costs and their counterbalancing spending reduction on BSF (below).
- The Conservatives claim that there are no additional running costs due to new school places created. This is an unrealistic assumption and an HM Treasury costing found that additional running costs would be substantial in a first Parliament (see p. 130).

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£428m</b>	<b>£444m</b>	<b>£528m</b>	<b>£525m</b>	<b>£525m</b>

### The Conservative Commitment

- The Conservative Party have pledged to create 220,000 new school places in Swedish-style schools. They have said that the capital costs for these new places would come from the Building Schools for the Future budget.

"Provide over 220,000 new school places. That would meet the demand from every parent who lost their appeal for their first choice school in our most deprived boroughs."

*Conservative Party, "Raising the Bar, Closing the Gap, Opportunity Agenda, Policy Green Paper No. 1", 20 November 2007, p.9*

"We propose that capital funding for New Academies should come through a new fund, established by re-allocating the money available within the Building Schools for the Future programme."

*Conservative Party, "Raising the Bar, Closing the Gap, Opportunity Agenda Policy Green Paper No. 1", 20 November 2007, pp. 38-39*

### Basis of Costing

- The Conservatives published their education policy paper "Raising the Bar, Closing the Gap" in November 2007. They set out figures showing that they would allocate £2.45bn in capital costs to build New Academies in the first five years (£4.55bn over nine years), with the figures broken down by year.

"The Building Schools for the Future budget is already set at £9.3 billion for the three years 2008-09 to 2010-11. Redirecting fifteen per cent of this would raise £1.4 billion. Assuming that the funding continues at 2010-11 levels, over nine years this fifteen per cent re-allocation from bureaucratic control to citizen choice would release around £4.5 billion for the building of New Academies. The current capital spending per pupil to build an Academy is approximately £20,000. On the conservative assumption that this figure will persist (conservative because it ignores, for example, the potential for our proposed changes in planning laws and building regulations – set out on pages 47 and 48 – to reduce costs), this £4.5 billion would fund more than 220,000 places over nine years."

*Conservative Party, "Raising the Bar, Closing the Gap, Opportunity Agenda Policy Green Paper No. 1", 20 November 2007, p. 39*

	Total BSF Funds (£m)	Allocation to new academies (£m)	Places created
Year 1	£2,854	£428	20,986
Year 2	£2,960	£444	21,765
Year 3	£3,517	£528	25,860
Year 4	£3,500	£525	25,735

Year 5	£3,500	£525	25,735
Year 6	£3,500	£525	25,735
Year 7	£3,500	£525	25,735
Year 8	£3,500	£525	25,735
Year 9	£3,500	£525	25,735
<b>Total Places Created</b>			<b>223,022</b>

*Conservative Party, "Raising the Bar, Closing the Gap, Opportunity Agenda Policy Green Paper No. 1", 20 November 2007, p. 40*

### The Conservative response

- The Conservatives do not dispute this estimate. They accept that Labour has used their figures.

*"As Labour's document admits, we have always been clear that we will reallocate of some of the existing Building Schools for the Future funding to pay for our Swedish-style New Academies. Labour have accepted our estimates of the capital costs of this policy."*

*Conservative Party press release, 4 January 2010, p. 7*

### Notes

- See p. 130 for discussion of how the Conservatives reallocate this money to the capital spending needed for their new schools and how there are still outstanding increased revenue costs from their proposals.
- Shadow schools minister Nick Gibb has indicated that any school building scheme that has not got to "financial close" "won't be guaranteed", meaning that many schemes which have already been announced would be under threat under a Conservative government.

*"At an event this morning shadow schools minister Nick Gibb was asked by a headteacher whether planned BSF schemes would go ahead even while a Tory government battled to cut the budget deficit. 'If a scheme has got to financial close, that's it, it's going to happen,' Gibb answered.*

*"But pushed to make similar guarantees for schemes earlier in the programme, the shadow minister said:*

*'What we're saying is if financial close has been reached, it will go ahead.' If not, 'then it won't be guaranteed.'*

*"Decisions about whether to continue with projects will be made on a 'case by case basis.'*

*"Gibb stressed that this didn't mean schemes would be cancelled en masse. 'But I'm not shadow chancellor, and shadow ministers are told on pain of death not to make spending promises.'*

*"The government's own projections show capital spending falling by half from next year, he said. With as little as £1 million a headteacher can 'transform the fabric of his building.'*

*"We think [BSF] is a hugely wasteful approach to procuring new buildings,' he added. 'It's very top down, very bureaucratic and costs a huge amount of money.' The centrally planned nature of the programme 'works against the direction we want to go in.'"*

*Education Investor, 25 February 2010*

## Reduce eligibility for tax credits

### Summary

- The Conservative Party have promised to remove eligibility for Child Tax Credits for households with incomes of over £50,000.
- The Conservatives estimated that the policy would save £400m a year. However, publicly available data shows that just £45m is paid in tax credits every year to households with incomes over £50,000.
- To save £400m, the Conservatives would need to cut the amount of tax credits households earning £31,000 or above are receiving.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£45m</b>	<b>£45m</b>	<b>£45m</b>	<b>£45m</b>	<b>£45m</b>

### The Conservative Commitment

- The Conservatives have pledged to change tax credits so that those households with a combined income over £50,000 would not receive any Tax Credit payments.

"And I can also tell you today, we can no longer justify paying means tested tax credits to families with incomes over £50,000."

*George Osborne, speech to Conservative Party Conference, 6 October 2009*

"Also I have said that I think that while tax credits can help people, because they help people in work to get some more money which is essential for them, we do give tax credits in this country now to households that are earning £50,000 and I think that is a time when we're, as I say, very stretched for cash, we're really going to have to ask ourselves is that actually a good use of money and I'm not sure it is."

*David Cameron, Cameron Direct, Exeter, 8 May 2009*

"We are going to change tax credits by saying that people earning £50,000 or more would not be getting the child tax credit but we are going to keep tax credit for the majority of people."

*Theresa May, Radio 5 Live, 17 February 2010*

### Basis of Costing

- The Conservative Party costed the saving as follows.

"The Government should stop paying tax credits to households with incomes over £50,000 by starting to means-test the Family Element of the Child Tax Credit at a lower threshold. According to the Institute for Fiscal Studies this would save £400 million a year or £2.0 billion over the next Parliament."

*Conservative Party Press Release, 6 October 2009*

- However, a Parliamentary written answer in December 2009, referring to public documents, shows that the Conservative plans would only raise an additional £45m per year.

**Andrew Gwynne:** To ask the Chancellor of the Exchequer what estimate he has made of the annual additional revenue to the Exchequer that would arise from the removal of the payment of tax credits to households with incomes above £50,000. [303864]

**Mr. Timms:** The total annual tax credit entitlement for families earning more than £50,000 is estimated to be approximately £45 million.

This estimate is based on finalised incomes and circumstances of families benefiting from tax credits in 2007-08 which is the most recent year available. These statistics are available at:

<http://www.hmrc.gov.uk/stats/personal-tax-credits/ctcw-tax-credit-final-may09.pdf>

Household income has been calculated based on income used to calculate tax credit entitlement and will therefore disregard in-year income rises of less than £25,000.

The total annual tax credits entitlement of these families will differ slightly from the additional revenue to the Exchequer of excluding them from tax credits, because of effects on over- and under-payments. Analysis of these effects is available only at disproportionate cost.

*Hansard, 9 December 2009, Column 406W,*

<http://www.publications.parliament.uk/pa/cm200910/cmhansrd/cm091209/text/91209w0014.htm#09120968001307>

- The Conservatives have previously defended their costing by saying that the IFS agrees with them.

"Our estimate that this policy would save £400m were verified by the independent Institute for Fiscal Studies."

*Conservative Party press release, 4 January 2010, p. 8*

- However, the IFS has said that its early estimate, used by the Conservatives, is less accurate than the later government figure. The IFS now accepts that saving £400 million per year "would require lowering the threshold to £31,000" (see notes, below).

"At its 2009 party conference, the Conservative Party proposed to start the withdrawal of the family element of the child tax credit at an annual family income of £40,000, rather than the current threshold of £50,000. An early estimate of the savings from this reform was produced by researchers at IFS and cited by the Conservative Party, and this was that the change could save £0.4 billion a year. However, the government has estimated that the threshold would have to be cut by more – to £31,000 a year – in order to save £0.4 billion.

"It is likely that the estimate from the government is more accurate, because the IFS estimate assumed full take-up of the child tax credit. Without access to HMRC's data, it is not possible for us to say precisely how much money would be raised by the Conservative Party's proposal having allowed for incomplete take-up, but it can be stated confidently that it would be less than £0.4 billion (because that would require lowering the threshold to £31,000), but more than £45 million (which is what would be raised if the threshold at £50,000 were replaced by a cliff-edge, as this is the total amount to which families with incomes exceeding £50,000 are entitled)."

*Institute for Fiscal Studies, The IFS Green Budget, 3 February 2010, p. 168*

- The IFS says that £45 million is the correct saving from a policy that removes all tax credits from households on £50,000 and above, but nothing from any households on less than £50,000 (a "cliff-edge" rather than a tapering of credits). The IFS assumes that the Conservatives would start taking away tax credits from households on significantly less than £50,000, raising more than £45 million.
- If the Conservatives are now saying that they will start to take tax credits away from households on incomes under £50,000, they should now make this clear. If not, both HM Treasury and IFS analysis show that they can only raise £45 million.

## Notes

- Another Parliamentary written answer reveals that to save £400m per year, the second income threshold would need to be reduced to around £31,000.

**Andrew Gwynne:** To ask the Chancellor of the Exchequer if he will estimate the level of second income threshold for tax withdrawal required to reduce annual expenditure on tax credits by £400 million. [303878]

**Mr. Timms:** To reduce total annual tax credit expenditure by £400 million, it is estimated that the second income threshold would need to be reduced to around £31,000.

*Hansard, 9 December 2009, Columns 406W-407W,*

<http://www.publications.parliament.uk/pa/cm200910/cmhansrd/cm091209/text/91209w0014.htm#09120968001309>

- Shadow Chief Secretary to the Treasury Philip Hammond has continued to claim since the publication of Labour's analysis of Conservative tax and spending plans that the Conservatives will save "something between a billion and a billion and a half" in 2010/11 from Child Trust Funds (p. 88), tax credits (discussed here) and reducing government advertising spending (p. 90). In fact, as this document shows, they could only achieve savings of this magnitude by making deeper cuts to these areas than they have so far announced.

"I gave a figure, off the top of my head, of a billion to a billion and a half, I stand by that figure. The Child Trust Funds, the child tax credits and the reduction in advertising spend would be capable of delivering 2010, those three measures alone, something between a billion and a billion and a half in savings."

*Philip Hammond, Channel 4 News, 11 February 2010*

## Reduce eligibility for Child Trust Funds

### Summary

- The Conservative Party have promised to reduce eligibility for Child Trust Funds.
- They costed this policy at £300 million per year, citing the Institute for Fiscal Studies.
- But a more recent estimate by the IFS says that this measure would raise £225 million per year.

2010/11	2011/12	2012/13	2013/14	2014/15
£225m	£225m	£225m	£225m	£225m

### The Conservative Commitment

- The Conservative Party have pledged to reduce the eligibility for tax credits so that they are only received by disabled children and the poorest third of families.

"And it means showing that the rich will pay their share which is why for now the 50p tax rate will have to stay and Child Trust Funds for those on middle and higher incomes will have to go."

*David Cameron, Speech to Conservative Party Conference, 8 October 2009*

"But quite frankly child trust funds have not been as successful as many like myself hoped. We should continue paying them to the poorest families who often have no savings, and encourage them to use them more – but, let me tell you today, handing out new baby bonds to the rest of the country is a luxury we can no longer afford."

*George Osborne, Speech to Conservative Party Conference, 6 October 2009*

"Well we are going to have to take some incredibly difficult decisions as a country, we are all in this together. And I was the politician who last year first said that we needed to cut spending, and I set out some specific examples from opposition of the things that would need to be cut. I said that certain benefits to go to better off people – like Child Trust Funds – are just luxuries we can't afford, and I said that the size of the Whitehall and the quangos needed to be reduced by a third, I said that there needed to be a public sector pay freeze before Alistair [Darling] did."

*George Osborne, Channel 4, Ask the Chancellors, 29 March 2010*

### Basis of Costing

- The Conservative Party costed the saving as follows, citing the Institute for Fiscal Studies:

"The Government should stop new spending on Child Trust Funds for better-off families. Disabled children and the poorest one third of families should continue to receive both new Child Trust Funds at birth and top-up payments. According to the Institute for Fiscal studies this would save £300 million a year or £1.5 billion over the next Parliament."

*Conservative Party Press Release, 6 October 2009*

- But now the IFS says that this would only save around 45% of the total £0.5 billion annual cost of the scheme – around £225 million per year.

"The Liberal Democrats have said that they would abolish the Child Trust Fund, which would save around £0.5 billion a year. The Conservatives have proposed to scrap the payments for the better-off children (i.e. those children whose family does not receive certain means-tested benefits and has an income of above £16,040), which would probably save around 45% of the cost of the scheme (based on 37% of children continuing to be entitled to Child Trust Fund payments)."

*Institute for Fiscal Studies, The IFS Green Budget, 3 February 2010, p. 178*

## Notes

- This policy would remove eligibility for Child Trust Funds from households with an annual income of £16,040 or above.

"Disabled children and children from the poorest one third of families who currently receive additional payments would continue to receive both new Child Trust Funds and top-up payments to existing Child Trust Funds..

"Children in families defined as low income, as well as children in care receive additional payments. These families have to be in receipt of Child Tax Credit and have a household income in 2009/10 (as calculated for CTC purposes) of £16,040 or less. Additional payments are also made where the person in receipt of Child Tax Credit is also receiving Job Seekers Allowance, Income Support, Pension Credit or Employment and Support Allowance. The additional payments are £250 at birth and £250 on the child's seventh birthday. HMRC data from October 2008 indicates that 31% of CTF accounts receive an additional payment award."  
*Conservative Party press release, 6 October 2009*

- The IFS agrees that the Conservative policy would mean that two-thirds of children would lose out.

"The Conservative policy would mean that children from families that do not receive certain means-tested benefits and have an income of above £16,040 would lose out (currently, around two-thirds of children would fall into this category)."

*Institute for Fiscal Studies, The IFS Green Budget, 3 February 2010, p. 178*

- Shadow Chief Secretary to the Treasury Philip Hammond has continued to claim since the publication of Labour's analysis of Conservative tax and spending plans that the Conservatives will save "something between a billion and a billion and a half" in 2010/11 from Child Trust Funds (discussed here), tax credits (p. 85) and reducing government advertising spending (p. 90). In fact, as this document shows, they could only achieve savings of this magnitude by making deeper cuts to these areas than they have so far announced.

"I gave a figure, off the top of my head, of a billion to a billion and a half, I stand by that figure. The Child Trust Funds, the child tax credits and the reduction in advertising spend would be capable of delivering 2010, those three measures alone, something between a billion and a billion and a half in savings."  
*Philip Hammond, Channel 4 News, 11 February 2010*

## Reduce government spending on consultants and advertising

### Summary

- The Conservative Party have promised to reduce spending on consultants and advertising to fund their proposal on freezing council tax.
- They estimate that their policy would save £270m in its first year, and £770m per year thereafter with regards to consulting. In addition they set out that £230m per year could be saved from returning advertising spend to its 1997 level.
- However, following the PBR measures to make government more efficient – specifically the 50% reduction in consulting budgets and 25% reduction in marketing budgets by 2012/13 – the revenue that this would raise has to take into account these Government plans which save £650m per year from that year.
- Because no figures are available for what will be saved prior to 2012/13 under Government plans, this costing assumes that the Conservatives could realise their full savings in those first two years, and reduces the additional saving in subsequent years to reflect what the Government has already planned for.
- Although these spending reductions are allocated to paying for the Conservative council tax freeze pledge (see p. 38) they do not provide sufficient savings to fully fund that policy.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£500m</b>	<b>£1,000m</b>	<b>£350m</b>	<b>£350m</b>	<b>£350m</b>

### The Conservative Commitment

- In order to fund its plans for a two-year council tax freeze (see p. 14) the Conservatives have proposed reducing central government spending on consultants and advertising.

“Well I do believe you can help people, I don’t believe you should stand on the sidelines, but where you offer tax cuts you have got to show where the money is coming from. So we have said, if the government stops spending so much money on advertising and if it sacks some of the consultants it currently binges on, it could freeze your council tax for two years, that would help families.”

*David Cameron, Cameron Direct, 17 November 2008*

“As a result fewer top-down projects, less need for consultancy, money that can be saved and yes a smaller advertising budget. What we’re talking about is only going back to what it was in 1997 but in today’s money. Now that is not unrealistic. It is totally realistic and what people should expect an incoming government to do.”

*David Cameron, BBC Radio 4 Today Programme, 30 September 2008*

### Basis of Costing

- The Conservative Party costed the consultancy saving as follows:

“We will reduce spending on private sector management consultants by £270 million in the first year of the freeze and £770 million thereafter. DfID and frontline services such as the NHS, schools and police will not face reductions.”

*“A Two Year Council Tax Freeze”, Conservative Party Press Release, 29 September 2008*

- The Conservative Party costed the advertising saving as follows:

“According to the Central Office of Information’s (COI) annual report government advertising spend was £391 million in 2007/08. In 1996/97 the COI only spent £163 million (in today’s money) on advertising. The

COI budget only represents a portion of total government advertising as not all departmental advertising is conducted through the COI. We will reduce COI advertising spend back to real 1997 levels saving £230 million a year. Vital public health campaigns will be protected.”

*“A Two Year Council Tax Freeze”, Conservative Party Press Release, 29 September 2008*

- But the Pre Budget Report 2009 implemented a 50% saving on the government consulting budget, and a 25% reduction in marketing budgets. These measures will deliver £650 million per year saving from 2012/13. These savings have therefore been subtracted from the Conservative projected totals from that year onwards
- Because no figures are available for what will be saved prior to 2012/13 we have assumed that the Conservatives could realise their full savings in those first two years and reduced the additional saving in subsequent years to reflect what the Government has already planned for.

### **The Conservative response**

- The estimate uses Conservative claimed savings plans at face value, and subtracts reductions in consultancy and advertising spending already announced at the PBR from the Conservative Party’s estimate of what they can save. The Conservative “rebuttal” does not attempt to engage with this at all, and simply asserts that Labour cannot deliver efficiency savings.

“Labour have frequently promised to make efficiency savings but never delivered. For example, the NAO have said that three quarters of the Gershon savings claimed by the Government are not ‘reliable’.

“Waste and inefficiency remain endemic after twelve years of Labour government – indeed spending on advertising and marketing has more than tripled since 1997. Labour cannot be trusted them to deliver on their promise to reduce consultancy and advertising spending. Only the Conservatives will deliver on efficiency savings.”

*Conservative Party press release, 4 January 2010, p. 7*

- The Conservatives do not address the fact that the planned total budget for consultancy and advertising spending after 2012 is now smaller than it was before PBR 2009. They cannot subtract from the budget money that is not in the budget in the first place.

### **Notes**

- These savings have been earmarked in their entirety by the Conservatives to contribute towards the cost of their planned two-year council tax freeze (see p. 38).

## Reduce “bureaucracy” spending by a third

### Summary

- At the 2009 Conservative Party Conference, George Osborne promised a one third reduction in “the cost of Whitehall”, which he described as “a £3 billion pound a year saving in bureaucracy alone”.
- £2bn of this was to come from what the Conservatives termed the “centralising bureaucracy” of PFR (which stands for Policy, Funding and Regulations, a now outdated term for Whitehall policy officials and processes) and £1bn from back office functions.
- The Conservatives have not set any specific detail on how these savings would be delivered or go beyond what the Government is already doing. Because these savings in large part reflected what the Government had already set in train, the further amounts to be saved have been adjusted to reflect that.
- The Conservatives have not provided any detail of how they plan to realise £2bn of savings from the “centralising bureaucracy”. And they have chosen to use a measure that is out of date and does not reflect how public spending is measured. It is difficult to be clear how this compares to Government plans – which already include reductions in spending on bureaucracy of 5% in each and every year. Because of the lack of clarity, and following the methodology of using maximised figures for measures which benefit the Exchequer, a large saving has been included even though there is no firm evidence that the Conservatives’ proposals go beyond Government plans.
- The Operational Efficiency Programme was launched by the Chief Secretary to the Treasury on 3 July 2008 and has set out in detail plans for delivering significant savings from back office functions across the public sector. The 2009 PBR provided an update on the OEP, with savings of £8bn to be realised by 2012/13. So the Conservatives’ back office saving go no further than Government plans.

	2010/11	2011/12	2012/13	2013/14	2014/15
<i>Reduce “PFR” spending by one third</i>	<b>£250m</b>	<b>£250m</b>	<b>£250m</b>	<b>£250m</b>	<b>£1,000m</b>
<i>Reduce spending on finance, HR, property and IT functions by one third</i>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### The Conservative Commitment

- At the 2009 Conservative Party conference, George Osborne promised a one third reduction in “the cost of Whitehall”, which he described as “a £3 billion pound a year saving in bureaucracy alone”.

“I tell you today that the next Conservative Government will cut the cost of Whitehall by one third over the next Parliament. Westminster and Whitehall subjected to the same disciplines as everyone else. A £3 billion pound a year saving in bureaucracy alone.”

*George Osborne, Speech to Conservative Party Conference, 6 October 2009*

## Basis of Costing

- The Conservative Party described the total saving from these policies as saving £7 billion over the next Parliament.

"The Government should set out plans to reduce the administrative costs of Whitehall bureaucracy and Quangos by at least a third. This would save £3 billion a year by the end of the next parliament, or more than £7 billion over the Parliament."

*Conservative Party Press Release, 6 October 2009*

### "Centralising Bureaucracy"

- The Conservative Party described the "centralising bureaucracy" element of this as follows:

"This section of government is known as PFR. PFR bureaucrats work in core Whitehall departments, the headquarters of Government Agencies and Quangos (e.g. the LSC and the QCA). They are responsible for devising policies, allocating funding, monitoring targets, inspecting services, setting rules and carrying out marketing and PR tasks. When public sector professionals and businesses complain about interference from Whitehall, micro-management and centralisation, they are primarily complaining about this bureaucracy. The £6bn PFR budget is spent primarily on staffing, property, consultancy and publications. Spending on PFR by central government departments and Quangos is at least £6 billion a year: more than £3.5 billion for central government departments and more than £2.4 billion for Quangos. The Government should set out plans to reduce this spending by at least a third over the next Parliament. This would reduce government spending by approximately £2 billion a year by the end of the Parliament."

*Conservative Party Press Release, 6 October 2009*

- In fact, the term "PFR" is no longer used in Government and budgets are not managed in this way. PFR was a term introduced by Sir Peter Gershon in his Efficiency Review and "PFR savings" were measured at the end of 2007 for the preceding three year period. Since 2007, the Treasury has not measured PFR and no number estimate of its size exists. Instead the Government has targeted all administration costs of central government departments.
- As part of the current spending round, departments must cut "administration" budgets – the closest comparison to PFR – by 5% per year, which will lead to a £1.2 billion saving by 2010/11 and, if this trajectory were continued in a future spending period, would achieve an additional £0.75 billion by 2013/14.
- On top of this, the PBR 2009 announced new savings in comparable areas, for example: £600 million from greater use of online systems especially in HMRC and DWP; £500 million from rationalization of arms length bodies; and £140 million from reducing the costs of the senior civil service.
- Given all of this, it is implausible for the Conservatives to claim that their £2 billion savings from "PFR" is all additional. A generous stylised assumption would be to assume they have the potential to realise a further £1 billion out of this £2 billion per annum figure for the end of the Parliament. Following the methodology of using maximised figures for measures which benefit the Exchequer, this stylised assumption for a saving has been included even though there is no evidence that the Conservatives proposals go beyond Government plans.
- The Conservatives originally assumed that this policy would save £2bn in the final year of the Parliament and, combined with the policy below (which they claim would save £1bn in the final year of the Parliament), £7bn in total across the Parliament. It has therefore been assumed that the Conservatives believe their plans would save one quarter of the final year total in

each of the preceding years. With the new final total figure, this is £250m.

### *“Back Office Bureaucracy”*

- The Conservative Party described the “back office bureaucracy” element of this as follows:

“Back office bureaucracy including spending on finance, human resources, property management and IT functions. In central government alone, £3 billion a year is being spent on these functions. The Government should cut this spending by a third, saving approximately £1 billion a year.”

*Conservative Party Press Release, 6 October 2009*

- In fact, the Government’s Operational Efficiency Programme – targeting these specific functions – is already cutting spending in these areas. The PBR 2009 provided an update on progress with the OEP, and stated that £8 billion savings per annum would be realised in these areas across the public sector by 2012/13. Therefore, no additional savings for back office bureaucracy have been allocated to the Conservatives in this costing.

### **The Conservative response**

- The estimate accepts Conservative claimed savings plans at face value, and subtracts reductions in Whitehall spending already announced at the PBR from the Conservative Party’s estimate of what they can save. The Conservative “rebuttal” does not attempt to engage with this at all, and simply asserts that Labour cannot deliver efficiency savings.

“Labour’s dossier doesn’t dispute our figures, but they claim that they will achieve some of the efficiency savings that George Osborne set out in his conference speech. However, Labour’s track record on efficiency suggests they will never be able to deliver these savings. ONS figures show that public sector productivity has actually declined under Labour.”

*Conservative Party press release, 4 January 2010, p. 7*

- The Conservatives do not address the fact that the planned total budget that they want to cut is now smaller than it was before PBR 2009. They cannot subtract from the budget money that is not in the budget in the first place.

## Welfare savings

### Summary

- The Conservatives have claimed that they would make savings by testing existing Incapacity Benefit claimants' ability to work and moving them to Jobseekers Allowance if they are judged able to work.
- They have also said that their overall welfare plans would mean 600,000 additional people would move off welfare and into work by the end of a Parliament.
- However, the Government is already assessing all existing incapacity benefit claimants over the next three years so the Conservatives proposal does not go any further than existing Government plans. Therefore, no savings have been allocated to the Conservative plans for the purposes of this document.
- Similarly the broader package of Conservative welfare plans do not go beyond Government plans and do not identify how any of their policies would move 600,000 additional people into work over and above Government plans. Therefore, no savings have been allocated to the Conservative plans for the purposes of this document.
- The Conservatives have said that their welfare savings would fund a promised increase in Working Tax Credits for couples (see p. 147) but there are no savings to be allocated towards extra expenditure on WTC payments.

2010/11	2011/12	2012/13	2013/14	2014/15
0	0	0	0	0

### The Conservative Commitment

- The Conservative Party has claimed it would make substantial savings from welfare rolls, some of which is intended to fund their "couple penalty" policy (see p. 122) while other savings have been allocated to "help get the unemployed back into work".

"And helping more people into work will also reduce costs, enabling us to increase the Working Tax Credit that couples receive. This change will bring tax credits fully into line with the rest of the benefits system, end Gordon Brown's 'couple penalty' which penalises those who stay together, and lift 300,000 children in two parent families out of poverty."

*David Cameron, www.webcameron.org.uk, 21 November 2007*

"The Government should cut benefits by up to £25 a week for anyone currently receiving Incapacity Benefit who fails a new work test and is therefore entitled only to Jobseekers Allowance. This would save more than £1 billion over the next Parliament, of which £600 million should be used to help get the unemployed back into work."

*Conservative Party website, 06 October 2009*

[http://www.conservatives.com/News/News\\_stories/2009/10/Specific\\_measures\\_to\\_start\\_tackling\\_Labours\\_debt\\_crisis.aspx](http://www.conservatives.com/News/News_stories/2009/10/Specific_measures_to_start_tackling_Labours_debt_crisis.aspx)

### Basis of Costing

- Under Government plans, since October 2008, new claimants for the Employment and Support Allowance (the replacement for Incapacity Benefit) have been undergoing a much tougher assessment to determine what work they can do rather than what they can't do, with support for those who can work to help them into jobs.
- At their 2009 Party conference, the Conservatives proposed that they could save £1 billion

over a Parliament:

"The Government should cut benefits by up to £25 a week for anyone currently receiving Incapacity Benefit who fails a new work test and is therefore entitled only to Jobseekers Allowance. This would save more than £1 billion over the next Parliament, of which £600 million should be used to help get the unemployed back into work."

*Conservative Party website, 06 October 2009*

[http://www.conservatives.com/News/News\\_stories/2009/10/Specific\\_measures\\_to\\_start\\_tackling\\_Labours\\_debt\\_crisis.aspx](http://www.conservatives.com/News/News_stories/2009/10/Specific_measures_to_start_tackling_Labours_debt_crisis.aspx)

- But under existing Government plans, over 3 years, all existing claimants will go through the new assessment too. The Government is undertaking this total re-assessment as rapidly as is practicably possible, testing thousands of people each week, alongside support to get people back to work. Therefore there are no additional savings beyond the Government's plans unless the Conservatives are proposing arbitrary cuts in benefits.
- In 2007, the Conservatives initially claimed that £3 billion could be saved by reducing "benefit rolls by an additional 600,000." However this is not a specific claim that they continue to make. Since 2007 they have failed to identify a single policy that would ensure that 600,000 more people, on top of government targets, left welfare. No savings have therefore been allocated for this claim.

"According to the Freud Report, moving someone off benefits and into work saves on average more than £5,000 a year in benefit payments, so to pay for the £3bn cost of ending the couple penalty our reforms would only need to reduce the benefit rolls by an additional 600,000."

*Conservative Party Press Release, 1 October 2007*

### **The Conservative response**

- The Conservatives responded as follows.

"Labour have not made clear what rate of benefit will be paid to those who are assessed as no longer unfit to work. In addition the 2008 Budget in which the new testing regime was announced assumed that there would be no savings from the benefits bill as a result. We have said that for those people who fail their reassessment for Incapacity Benefit we will only pay Jobseeker's Allowance rates, which are £25 a week less than long term Incapacity Benefit. This will save around £600 million over a three year reassessment period. When Conservatives announced this policy Government ministers described it as "callous" - they can't credibly claim at the same time that it doesn't save any money.

"In addition, Conservatives have set out plans for radical welfare reform going far beyond the help on offer from Labour. In particular we will offer the 2.6 million people on Incapacity Benefits, currently ignored by Labour, proper support back into work."

*Conservative Party press release, 4 January 2010, p. 8*

- This Conservative response is flawed. The Conservatives assert without evidence that they can save £600 million by reassessing people on Incapacity Benefit, and only paying Jobseeker's Allowance rates to those who "fail". They have not explained the basis for this figure.
- Under existing government plans, Incapacity Benefit claimants are being reassessed to see whether they qualify for the new Employment Support Allowance (ESA), which is paid at two rates.
  - Those whose physical or mental condition limits their capability for work or work-related activity are placed in the work-related activity group of claimants, who will need to meet various work-related conditions to continue to receive ESA.

- Those in the support group, whose capability is more limited, will not be obliged to undertake any work-related activities at all and will receive a slightly higher level of ESA.
- Those who, on assessment, are found not to have limited capability for work will not be eligible for ESA, and can apply for other benefits, including Jobseeker's Allowance, in the normal way.
- The Conservatives can only save money over and above these plans if more people "fail" their assessment for Incapacity Benefit under the Conservatives than would fail to qualify for the work-related activity ESA group under Labour plans.
- For the Conservatives to defend their figure of £600 million in welfare savings, they would need to demonstrate that people who would qualify for ESA in the work-related activity group under Labour would not qualify for any incapacity benefits at all under the Conservatives. They would need to explain in detail which people, whose capability for work is currently assessed as being limited by a physical or mental condition, they believe should not qualify for ESA or for the employment support associated with it. They have not done so.

## Scrap ContactPoint

### Summary

- The Conservative Party have promised to scrap the ContactPoint database.
- They have never provided a costing of what they expect to save from this policy but a recent answer to a Parliamentary Question by DCSF minister Dawn Primarolo set out planned ContactPoint expenditure and has been used below.
- The Conservatives have not challenged this costing.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£50.9m</b>	<b>£43m</b>	<b>£41m</b>	<b>£41m</b>	<b>£41m</b>

### The Conservative Commitment

- David Cameron has repeatedly stated that a Conservative Government would scrap the ContactPoint children's database.

"The ContactPoint database, the idea we'll get every child's name and address on a computer, let's get rid of that that will save a huge amount of money."

*David Cameron, Cameron Direct Bedford, Tuesday 08 September 2009*

"The first is what I would call extensions of the state where the state keeps doing new things. To some of those we're just going to have to say we cannot afford those - national identity cards. The ContactPoint database for children and we should look at other areas where the state has tried to do new things and say ... it might be desirable but we can't do it."

*David Cameron, BBC R4 Today, 24 April 2009*

David Cameron: Yes but Andrew everyone knows there's enormous amounts of waste in government and we've already said a lot of things we won't go ahead with, you know ID cards...

Andrew Marr: Everyone says they're going to cut waste.

David Cameron: No, ID cards, we're not going to do ID cards. The children's database, we're not going to do the children's database. The NHS computer, we think it's got completely out of control.

*BBC 1, The Andrew Marr Show, 11 January 2009*

"...Now on waste. Yes there are certain things we have already identified. We don't support the children's database."

*David Cameron, monthly Press Conference, 16 December 2008*

### Basis of Costing

- The expected expenditure on ContactPoint up to May 2015 was published in a Parliamentary written answer in December 2009.

**Phil Wilson:** To ask the Secretary of State for Children, Schools and Families how much is expected to be spent on the ContactPoint directory in each of the five years from June 2010. [304729]

**Dawn Primarolo:** The expected expenditure on ContactPoint in each of the next five years from June 2010 is as follows:

£ million	Set up	Operating	Total
June 2010 to March 2011	21.7	29.2	50.9
April 2011 to March 2012	2.4	40.6	43.0
April 2012 to March 2013	0.0	41.0	41.0
April 2013 to March 2014	0.0	41.0	41.0
April 2014 to March 2015	0.0	41.0	41.0
April 2015 to May 2015	0.0	10.3	10.3

Total	24.1	203.1	227.2
<p>Hansard, 7 December 2009, Column 138W,  <a href="http://www.publications.parliament.uk/pa/cm200910/cmhansrd/cm091207/text/91207w0029.htm#09120767002766">http://www.publications.parliament.uk/pa/cm200910/cmhansrd/cm091207/text/91207w0029.htm#09120767002766</a></p>			
<p><b>The Conservative response</b></p> <ul style="list-style-type: none"> <li>The Conservatives accept the estimate of the savings given for this policy.</li> </ul> <p>"Labour have simply provided figures on the savings delivered by this policy."  <i>Conservative Party press release, 4 January 2010, p. 8</i></p>			
<p><b>Notes</b></p> <ul style="list-style-type: none"> <li>A Parliamentary written answer in December 2009 revealed that ContactPoint is expected to save five million practitioner hours a year once it is working, the equivalent to £88 million a year.</li> </ul> <p><b>Phil Wilson:</b> To ask the Secretary of State for Children, Schools and Families what estimate has been made of the amount of savings in practitioner time as a result of the introduction of ContactPoint. [304728]  <b>Dawn Primarolo:</b> A principal benefit of ContactPoint will be freed up unproductive time, previously spent by frontline staff in trying to identify and then contact other practitioners who are involved with a child. We estimate conservatively that ContactPoint will save five million practitioner hours, equivalent to £88 million a year, once all projected users are engaged. This means that practitioners can spend more time working with children and families and less time on administration activities.  <i>Hansard, 7 December 2009, Column 138W,</i>  <a href="http://www.publications.parliament.uk/pa/cm200910/cmhansrd/cm091207/text/91207w0029.htm#09120767002764">http://www.publications.parliament.uk/pa/cm200910/cmhansrd/cm091207/text/91207w0029.htm#09120767002764</a></p>			

## NHS IT Programme

### Summary

- The Conservative Party have pledged to scrap the national database of health records and to halt and renegotiate existing contracts with local service providers.
- The Conservatives have never produced a firm costing for the saving from this policy.
- The Government's announcement in December 2009 that elements of the National Programme for IT will be delayed or descope to realise £600m of savings over the next few years.
- To go further, as the Tories say they would do, would involve significant payments to the IT firms delivering the new systems. These, and other cancellation costs, would outweigh any savings.
- Therefore, no further savings have been allocated for the purposes of this document.

2010/11	2011/12	2012/13	2013/14	2014/15
0	0	0	0	0

### The Conservative Commitment

- David Cameron has repeatedly attacked the NHS IT programme, saying "that should go" and including it in a list of "programmes we wouldn't continue with".

"Things like the big top down decisions like the NHS computer, that should go, that's where you can make a genuine reduction in government spending but it is going to be in order to fund other things and make sure you have got a realistic prospect for managing public spending overall."

*David Cameron, Jeff Randall Show, Sky News, 26 January 2009*

"It means yes, identifying programmes we wouldn't continue with, and we've talked about things like the NHS computer, like ID cards, some of these are not insignificant, the NHS computer is a massive multi-billion pound programme and yes it means going about public spending in a different way and I'll be making a speech later this week which will give more detail about that."

*David Cameron, press conference, 16 March 2009*

- However, Shadow Health Minister Stephen O'Brien has said that the Conservatives would not stop the NHS IT programme, but would review it instead.

"As it involves £12 billion of taxpayers money, rather than have an audit and stop it, we will instead have a review that starts from the premise that improved exploitation of IT in health and care setting will contribute to improving patient outcomes."

*Stephen O'Brien, E-Health Insider Primary Care, 23 October 2008,*

[http://www.ehiprimarycare.com/comment\\_and\\_analysis/356/healthcare\\_interoperability\\_preview\\_3](http://www.ehiprimarycare.com/comment_and_analysis/356/healthcare_interoperability_preview_3)

- The Conservatives' Independent Review of NHS and Social Care IT, which reported in August 2009 and was endorsed by the Conservative Party, recommended that existing contracts with local service providers "must be halted and renegotiated".

"The Review Group have concluded that the contracts must be halted and renegotiated. There will be a cost to this course of action but this will be mitigated by overcoming the LSP [Local Service Provider] failure to deliver and also must be set against the large amounts of money being lost due to the delays. Moreover, there is a growing cost to CfH incurred by Trusts who are choosing to procure outside of the National Programme. Where trusts are procuring systems separately from the NPfIT, the DH are paying for systems twice."

*"Independent Review of NHS and Social Care IT", August 2009, p. 140*

- It also recommended that the national database of health records, should be scrapped.

The review identifies delivery in the acute sector as the area of greatest weakness. It says GP and hospital patient record databases must instead be kept locally, only exchanging data when necessary, to maintain the primacy of the doctor-patient relationship.

It calls for the national database of health records, the NHS Spine, to be scrapped, saying it has caused "extreme anxiety in many individuals and organisations". The review states "a central database is not required in a localised vision of NHS IT".

Asked whether this entailed abandoning the spine and national summary care record, O'Brien said: "We don't see it needing to survive. So why should it."

*E-health Insider Primary Care, 10 August 2009, [http://www.e-health-insider.com/news/5109/conservatives\\_pledge\\_to\\_%E2%80%98halt%E2%80%99\\_lsp\\_deals](http://www.e-health-insider.com/news/5109/conservatives_pledge_to_%E2%80%98halt%E2%80%99_lsp_deals)*

- The Conservatives have not attempted to estimate the cost of renegotiating existing contracts, although Stephen O'Brien admits that he does not know "whether it is cost free or not cost free".

"Mr O'Brien admitted that trying to change the IT contracts could actually cost the Government money initially, though he insisted the move would eventually be worthwhile.

"He said: 'Until I have had sight of those contracts I will not know the scope of my renegotiation and whether it is cost free or not cost free. The main thing is that there will be a saving.'"

*Telegraph, 11 August 2009*

## **Basis of Costing**

- On 7 December 2009 Health Secretary Andy Burnham announced plans to save £600m in the lifetime costs of the NHS IT Programme by delaying or descope elements of Connecting for Health.

"To put it simply, the [NHS IT] programme is a key part of delivering modern, safe, joined-up health care. It is supporting the ongoing reform of the NHS by giving choice and convenience to patients. The NHS could not function without it. However, in the current climate it is right to look again at efficiencies and value for money on all big projects, and at the Chancellor of the Exchequer's request - and that is what the Minister of State, Department of Health, my right hon. and learned Friend the Member for North Warwickshire (Mr. O'Brien) and I have been doing across my Department.

"As part of that, I have looked closely at options for savings on the NHS IT system; it was to those that the Chancellor referred yesterday. The details of those discussions with the IT companies are commercially sensitive and ongoing, but I can give the House this update. My aim in conducting this exercise has been to ensure that the elements of the IT programme that can deliver most benefit to patients and front-line staff are taken forward, while cancelling certain additions to the system where it makes sense to do so.

"Let me be absolutely clear: we have no intention whatsoever of cancelling the programme overall, not least because it is already making the NHS safer, more efficient and more convenient for patients. However, we are discussing with our suppliers potential reductions to the scope of the systems and the cost savings that could be generated. In addition, we are looking seriously into the internal savings that can be made from the costs of running the programme. In the light of that work, I can confirm to the House that we are working towards achieving a reduction of £600 million in the lifetime costs of the programme."

*Andy Burnham, Hansard, 7 December 2009, Column 21,*

<http://www.publications.parliament.uk/pa/cm200910/cmhansrd/cm091207/debtext/91207-0004.htm#09120712000004>

- To go further than these savings would require significant compensation payments to the IT companies contracted to deliver the new systems. These, and other cancellation costs, would outweigh any savings.

## The Conservative response

- In their response to Labour costings, the Conservatives do not attempt to rebut any arguments about why further savings, beyond those announced by the Government, cannot be found. They simply assert that scrapping the NHS IT Programme “will free up funds for improving frontline health services” without attempting to explain how.

“Labour have already spent £3.5 billion on the calamitous NHS supercomputer, which was initially planned to cost £2 billion – and IT experts have shown that the final cost to taxpayers could be £20 billion. Scrapping this disastrous and ineffective project will free up funds for improving frontline health services.”  
*Conservative Party press release, 4 January 2010, p. 8*

## Notes

- David Cameron has variously promised that money saved from the NHS IT programme could be used to fund the armed forces, that it could be used to fund a high speed West Coast mainline railway, and that “every penny that we can save on the computer that isn’t really working very well, we can put money into nurses and doctors and patient care”.

Andrew Marr: Are you therefore now looking at all the things you’ve originally promised about extra rail links and more money for the armed forces and so on and reviewing all of that to see where you can cut?

David Cameron: Well what we’re going to look at is what the government announces tomorrow and what they do to their own spending plans, maybe they’ll come off them too and we’ll have to then set our path forward for spending and yes, it is going to be difficult and there will be tough decisions to be made if you want to keep taxes down. Now there are some advantages we have, we don’t believe in the big top down government programmes, we’d get rid of the national identity card scheme, we’d get rid of the children’s database, we think the NHS computer has been hugely wasteful. Some of these big top-down government stuff that Gordon Brown has been obsessed by would go. That would help. But I accept it will be tough, it will be difficult but in the end I would like to go into the election telling the truth about the public finances because I think at the moment the government isn’t.

*Andrew Marr Show, 23 November 2008*

David Cameron: I mean the long term plans for Britain are for a second West Coast mainline railway and we’re saying instead of making that just a standard railway make it a high speed railway. That is perfectly practical...

Andrew Marr: This is going to cost money which is money that you don’t have and you don’t...

David Cameron: Yes but Andrew everyone knows there’s enormous amounts of waste in government and we’ve already said a lot of things we won’t go ahead with, you know ID cards...

Andrew Marr: Everyone says they’re going to cut waste.

David Cameron: No, ID cards, we’re not going to do ID cards. The children’s database, we’re not going to do the children’s database. The NHS computer, we think it’s got completely out of control. We would be a different government, less top down decision making from Whitehall, less of these grand plans and programmes and as I say we’re not cutting the overall level of government spending, we’re just reducing the increase.

*Andrew Marr, 11 January 2009*

“I think it’s important to try and save money in the massive NHS computer programme because for every penny that we can save on the computer that isn’t really working very well, we can put money into nurses and doctors and patient care.”

*David Cameron, BBC Breakfast, 06 July 2009*

## Freeze pay and cap pensions for public sector workers

### Summary

- At the 2009 Conservative Party conference, George Osborne promised to implement a public sector pay freeze for most public service workers from 2011 and annual caps on public sector pensions.
- On public sector pay, the Conservatives costed this pledge as saving £3.2bn a year from 2011/12 onwards. However, following plans for a 1 per cent pay cap announced in the Pre-Budget Report we have taken the Conservatives £3.2bn as a given and subtracted the Government's planned £1.7bn of savings from pay restraint in that year. This implies an additional annual savings of £1.5bn per year from Conservative plans.
- On pensions, the Conservatives have not said that their cap on public sector pensions would save specific amounts in the next Parliament and, given that they have pledged not to change existing pension entitlements, their plans would not provide any meaningful gain to the Exchequer in the next Parliament.

	2010/11	2011/12	2012/13	2013/14	2014/15
One year public sector pay freeze	<b>0</b>	<b>£1,500m</b>	<b>£1,500m</b>	<b>£1,500m</b>	<b>£1,500m</b>
Cap on the biggest public sector pensions	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### The Conservative Commitment

- In his speech to the Conservative Party conference in October 2009, George Osborne set out his plans for a public sector pay freeze for most public service workers from 2011 and for annual caps on public sector pensions.

"But today I tell you in all candour that if you look at the nation's finances. What the Government announced yesterday will not be enough. It covers less than a fifth of the public sector workforce. You will see that whoever wins the election is going to have to ask from 2011 each part of the public sector to accept a one year pay freeze. We shouldn't include public servants earning less than £18,000."

*George Osborne, Speech to Conservative Party Conference, 6 October 2009*

"The tax relief on private sector pensions is capped, so the time has come to find ways to impose a £50,000 annual cap too on the size of public sector pension payouts."

*George Osborne, Speech to Conservative Party Conference, 6 October 2009*

### Basis of Costing

- The Conservative Party estimated that their public sector pay freeze would save £3.2bn per year from 2011 onwards.

"The Government should recommend no headline increase in pay for all public sector workers in 2011, except for the lowest paid one million who should be protected. Military personnel on active service overseas should be more than compensated by doubling the Operational Allowance to an average of £4,800 for a six month tour of duty. Altogether this would reduce government spending by £3.2 billion a year from 2011 onwards, or more than £12 billion over the next Parliament. These savings are equivalent to protecting more than 100,000 public sector jobs."

*Conservative Party website, 6 October 2009,*

[http://www.conservatives.com/News/News\\_stories/2009/10/Specific\\_measures\\_to\\_start\\_tackling\\_Labours\\_debt\\_crisis.aspx](http://www.conservatives.com/News/News_stories/2009/10/Specific_measures_to_start_tackling_Labours_debt_crisis.aspx)

- Since that announcement the Government has set out in the PBR that it will seek a one per cent cap on basic pay uplifts across the public sector for 2011-12 and 2012-13, generating ongoing annual savings of £3.4 billion by 2012-13. For the purposes of this document, this has been averaged to ongoing annual savings of £1.7bn for each year of the one per cent cap.
- The basis for the Tory £3.2bn costing is unclear. But following the methodology of using the maximum savings for those measures which benefit the Exchequer, this costing takes the Conservatives' £3.2bn as a given and subtracts the Government's planned £1.7bn of savings from pay restraint. This implies additional ongoing annual savings of £1.5bn per year from Conservative pay policy in 2011/12.
- This assumes the Tories would follow Government plans in 12/13, i.e. look to set a cap of at most 1%. If they did not do this then the Tory plans would save considerably less than £1.5bn.
- By contrast with the detail provided on their pay freeze, the Conservative Party has not offered an estimate for any savings from public sector pensions in the next Parliament.

"The Government should find ways to cap the biggest government pensions, including those for senior civil servants, local council executives and Quango managers. This cap should prevent any taxpayer-funded increase in senior government pensions already worth over £50,000 a year, and stop all taxpayer-funded pensions for these groups in future exceeding £50,000 a year. This would reduce the growth of public sector pension liabilities by hundreds of millions of pounds over the next decade."

*Conservative Party website, 6 October 2009,*

[http://www.conservatives.com/News/News\\_stories/2009/10/Specific\\_measures\\_to\\_start\\_tackling\\_Labours\\_debt\\_crisis.aspx](http://www.conservatives.com/News/News_stories/2009/10/Specific_measures_to_start_tackling_Labours_debt_crisis.aspx)

- Instead, the Conservatives have been clear that existing benefits will be protected.

"Any change should reflect the principle that existing benefits accrued by staff must be protected."

*Conservative Party Press Release, 6 October 2009*

- The Conservative cap plans do not affect existing pension entitlements and so would not provide any meaningful gain to the Exchequer in the next Parliament. In fact, the Pre Budget Report 2009 announced "Cap and Share" reforms to public sector pensions which will save an estimated £1 billion a year from 2012-13. These reforms require those earning the highest salaries to pay a greater contribution towards their pension, making a much quicker contribution to the public finances than a cap on future pensions.

## **The Conservative Response**

- The Conservatives have accepted the estimates given.

"Labour's analysis of our policies concedes that our plans will save an additional £1.5 billion a year, over and above Labour's claimed savings. In addition, Labour's document also confirms that our policy to cap the largest public sector pensions will not affect benefits already accrued."

*Conservative Party press release, 4 January 2010, p. 8*

## Reduce spending on Sure Start outreach workers

### Summary

- The Conservatives have pledged to reduce spending on Sure Start outreach workers to reallocate money to fund 4,200 health visitors (p. 143).
- However, the Department for Children Schools and Families have stated clearly that the Sure Start outreach spending that the Conservatives wish to reallocate is smaller than they had claimed.
- The DCSF report of the amount of money available is used below.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£79m</b>	<b>£79m</b>	<b>£79m</b>	<b>£79m</b>	<b>£79m</b>

### The Conservative Commitment

- David Cameron has wrongly claimed that the Government intends to spend £200m more each year for Sure Start outreach workers. He says he would divert this spending to pay for 4,200 health visitors (see p. 143).

"But let me make a firm commitment right now. Labour are planning an increase in outreach workers at Surestart centres, as one way of supporting parents with young children. That's their idea. But money is tight and we've got to make choices. So I believe that instead of more untrained outreach workers, we need more trained professionals who really know what they're doing. They exist already. They're called health visitors. Highly-trained NHS professionals who come to your home and build up a strong, trusting, personal relationship with your family. They have a huge part to play in making everything seem manageable. They don't judge, they help out. And that's why it's not surprising that overwhelmingly, parents say it's this kind of help and support they want: from a trained professional, in the home."

*David Cameron, speech to Conservative Spring Forum, 15 March 2008*

"You've got to be careful with public money - especially when times are tough. But Labour are casual with public money - and that's why there's been so much waste. Now they want to spend £200 million on a new army of outreach workers with no medical training. Instead of endlessly dreaming up extra things for the state to do, we believe in making sure the state does the things it's supposed to do, well."

*David Cameron, speech to Conservative Spring Forum, 15 March 2008*

#### Paying for the policy

The cost of the policy is £200 million per year. This will be funded by:

- using £150 million of the £200 million per year, with which the Government are intending to pay for a new cadre of 'outreach' workers from Children's Centres, to hire, instead, 4,200 additional professional health visitors;
- using £40 million of the remaining £50 million a year to fund additional training for health visitors; and
- using the remaining £10 million a year to pay for our Child Health Inequalities Fund.

This level of support will be available to all families. Health visitors and parents can agree how support is best delivered to meet a family's individual needs in those critical early years.

*Conservative Party, "Helping new families: Support in the early years through universal health visiting", March 2008, p. 3*

### Basis of Costing

- The Department for Children, Schools and Families has stated clearly that its intention is to increase spending for additional Sure Start outreach workers by £79 million per year, rather than £200 million.

"...the Government are investing a total of £4 billion in supporting services through, and developing further,

children's centres over the next three years, which includes an additional £79 million specifically for outreach work."

*Beverley Hughes, then Children's Minister, Hansard, 19 May 2008, Column 6, <http://www.parliament.the-stationery-office.co.uk/pa/cm200708/cmhansrd/cm080519/debtext/80519-0001.htm#08051912000418>*

### **The Conservative response**

- The Conservatives do not dispute Labour's explanation of the size of the Sure Start outreach workers budget. They do now say that their health visitors policy will be paid for not only out of the Sure Start budget but also out of the Department of Health budget – this is a change in their policy.

"We will pay for our health visitor policy by diverting spending from the 'outreach workers' budget within the existing Sure Start budget and from the Department of Health budget, where we have pledged real increases."

*Conservative Party press release, 4 January 2010, p. 9*

- The Conservatives have not set out how the funding from the Department of Health's budget would be found, and have not said what proportion of the cost of new health visitors would come from Sure Start and what proportion from the Department of Health.

### **Notes**

- This saving has been allocated by the Conservatives to pay for an increase in the number of health visitors – see p. 143.
- David Cameron has said that the Conservatives would take Sure Start "back to its original purpose", "increasing its focus on those who need it most".

"We will improve Sure Start by taking it back to its original purpose – early intervention, increasing its focus on those who need its help most."

*David Cameron, speech on families, 11 January 2010*

## Scrap some Regional Development Agencies

### Summary

- The Conservative Party have pledged to scrap Regional Development Agencies, although they have not been clear on how many they would abolish.
- They have set out the running costs of RDAs as being £202m per year, so this document has taken this as the maximum possible saving while protecting funding streams like support to businesses.
- Since the Conservatives have indicated that they would scrap “most” of the RDAs but have not given further details, this costing assumes they will scrap at least five of the existing nine RDAs, representing a reduction of 5/9 of the available total running costs.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£112.22m</b>	<b>£112.22m</b>	<b>£112.22m</b>	<b>£112.22m</b>	<b>£112.22m</b>

### The Conservative Commitment

- The Conservatives have promised to cut RDAs:

“If people want to come forward with a plan to dismantle the quite bureaucratic and quite sclerotic in some cases RDAs, and come forward with more local development, we’ll entertain that and if it passes the test of helping business then it should go ahead and I think what that will result in is most of the RDAs going, the loss of a lot of bureaucracy as a result but in some cases where if they’re particularly seen as important and powerful, in some cases they might stay.”

*David Cameron, Q&A following speech to CBI, 23 November 2009*

Q. Mr Cameron you’ve openly said that due to Labour’s spending plans the next government has to make cuts. If you were to be elected where would you make cuts?

A. I’d like to roll up this whole regional state, the regional assemblies, many of the regional development agencies, the regional spatial strategies, the regional planning, get rid of all of that. I think that would save us a huge amount of money.

*David Cameron, Cameron Direct, Luton, 29 June 2009*

“And also I would abolish this whole regional structure that we have had imposed upon us in this country, regional development assemblies, they would go, I’d let councils come together and take on those powers if they want to. I think we can get rid of a lot of the regional junk and jargon and red tape that the government has created and put power back in the hands of local authorities. Then you get more democracy.”

*David Cameron, Cameron Direct, Brighton, 13 February 2009*

- However, on some occasions they have appeared to suggest that a few RDAs will remain:

“RDAs will remain, but with a business-led enterprise purpose. And what we’re going to let them do is propose what shape they want to take. If they want to stay as a big regional RDA, they can come to my department and say. If they want to be smaller, so they work more closely with county councils for specific regions, they can do that.

*Alan Duncan, then Shadow Business Secretary, Liverpool Daily Post, 15 October 2008*

“The London Development Agency is unique – funded centrally, but run by the Mayor. As such its powers are devolved already and so we have no plans to interfere in what is a matter for the Mayor. Our proposals apply to the other eight RDAs only.”

*“Control Shift”, Conservative Party Policy Paper, 17 February 2009, p29*

### Basis of Costing

- The Conservatives have primarily targeted the administration and bureaucracy of RDAs rather than their funding streams, many of which they reallocate through other channels such as Local Authorities in their policy green paper on the subject, "Control Shift". Their policy paper gave a costing of RDA total running costs as £202m.

"The Regional Development Agencies (RDAs) have been particularly expensive, having spent over £13 billion since their creation in 1999. During this period their salary bill has trebled from £38 million to over £120 million and their total running costs have risen by 159 per cent to £202 million, including the costs of running a panoply of individual offices in a variety of foreign countries."  
*"Control Shift", Conservative Party Policy Paper, 17 February 2009, p5*

- The maximum saving the Conservatives could make, on their own figures, is therefore £202m. However, since they have indicated that they would scrap "most" but not all RDAs, we have used 5/9 of this figure for the purposes of this document.

### **The Conservative response**

- The Conservatives responded to Labour's January document, which said that they planned to save £202m by scrapping all RDAs, by saying that they would "allow RDAs to remain where local councils judge that they deliver value for money, so it is not possible to calculate how big any savings would be".

"As the dossier makes clear, our policy would allow RDAs to remain where local councils judge that they deliver value for money, so it is not possible to calculate how big any savings would be. We have not allocated savings from this policy to pay for any other pledges."  
*Conservative Party press release, 4 January 2010, p. 9*

- However, in his speech to the Conservative Spring Forum in February 2010, David Cameron said that "most of those regional development agencies" would go.

"And we're going to look at those regions, yes, we really are going to look at those regions, and we're going to say those spatial strategies, those transport plans, those assemblies, most of those regional development agencies, those regional targets, the whole lot is going."  
*David Cameron, speech to Conservative Spring Forum, 28 February 2010*

- On this basis, it is very difficult to say how much the Conservatives could save because it is not clear how many RDAs would disappear. It is likely that Labour's original estimate that they could save as much as £202 million is too generous. This document therefore assumes that they will scrap five out of nine RDAs, the smallest possible number for them to scrap while removing "most of those regional development agencies".

## Scrap regional assemblies

### Summary

- The Conservative Party have promised to abolish Regional Assemblies.
- They have provided a costing of this policy, used below.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£18m</b>	<b>£18m</b>	<b>£18m</b>	<b>£18m</b>	<b>£18m</b>

### The Conservative Commitment

- David Cameron has promised to abolish Regional Assemblies

"So as we have already announced, we will get rid of unelected, unaccountable and unwanted Regional Assemblies – and save £18 million."

*David Cameron, Speech on "Cutting the Cost of Politics", 8 September 2009*

### Basis of Costing

- David Cameron estimated the saving from abolishing Regional Assemblies as £18 million.

### The Conservative response

- These are Conservative figures.

"Labour have accepted our costings of this policy."

*Conservative Party press release, 4 January 2010, p. 9*

## Scrap identity cards

### Summary

- The Government has set out plans for biometric passports, voluntary identity cards for British citizens and compulsory identity cards for foreign nationals.
- The Conservative Party have suggested that significant savings could be realised by not going ahead with ID cards for British Citizens. They have proposed diverting these savings into other spending priorities.
- They have not produced a recent costing for the saving from this policy but Chief Secretary to the Treasury Liam Byrne set out the Treasury's analysis that the maximum that the Conservative policy would save is £100m over three years.
- This is because the Conservatives are clear that they agree with both ID cards for foreign nationals and biometric passports. As a result the vast majority of spending would still be required.
- The ID cards scheme is self-financing in the medium term from the fees charged for the cards.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£33m</b>	<b>£33m</b>	<b>£33m</b>	<b>0</b>	<b>0</b>

### The Conservative Commitment

- The Conservative Party have pledged to scrap identity cards and divert funding to other areas.

"On crime, we've said scrap ID cards and focus instead on drug rehab, building prisons and introducing a proper Border Police force."

*David Cameron, Online Q and A, Telegraph.co.uk, 11 September 2007*

"A future Conservative Government will:

- Scrap the ID card scheme, saving £255.4 million in the first three years.
- The first priority for these savings is the provision of extra prison places. We will use £162.6 million to build and support an additional 1,200 prison places, enabling us to scrap the early release scheme."

*'It's time to end Labour's Early Release Scheme', 2 October, 2007*

### Basis of Costing

- The Conservative Party have committed to biometric ID cards for foreign nationals, a policy introduced in the Government's UK Borders Bill. They also support biometric passports.

"Everybody in this house wants proper biometric visas for people visiting this country."

*David Cameron, Hansard, 9 January 2007, Column 296,*

<http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm080109/debtext/80109-0002.htm#08010972002636>

"There is not a Conservative Member, and I dare say there is not a Labour Member either, who disagrees with the notion that there should be biometric passports. That means that when we present our passports at the port of entry, an immigration officer can read the information contained in the chip and verify our identity."

*Edward Garnier, then Shadow Home Office Minister, Hansard, 5 February 2007, Column 671,*

<http://www.publications.parliament.uk/pa/cm200607/cmhansrd/cm070205/debtext/70205-0019.htm#07020547000078>

"I made it clear that we would not oppose the introduction of powers to require those subject to immigration control to apply for a document that records their biometrics—and we do not oppose it. Our opposition centred

on the use of the national identity register more widely with regard to British citizens, and the compulsion of British citizens to apply for an ID card."

*Baroness Anelay, then Shadow Home Office Minister, Lords Hansard, 13 June 2007,*  
<http://www.publications.parliament.uk/pa/ld200607/ldhansrd/text/70613-0003.htm>

- Chief Secretary to the Treasury Liam Byrne told the House of Commons in December 2009 that scrapping ID cards would save a maximum of £100m.

"I could, for example, have set out proposals to scrap ID cards, which I was told by some quarters would save £2 billion. In fact, on closer inspection, it turns out that that would save no more than £50 million to £100 million."

*Liam Byrne, Hansard, 7 December 2009, Column 33,*  
<http://www.publications.parliament.uk/pa/cm200910/cmhansrd/cm091207/debtext/91207-0005.htm#09120712000521>

- We have assumed that the £100m would be evenly spread over the next three years.
- And scrapping ID cards would save nothing in the longer term because the scheme is self-financing via the charges for those using the cards.

### **The Conservative response**

- The Conservatives now claim that scrapping ID cards would save £800m over ten years, implying an average saving of £80m per year.

"According to the Home Office's latest cost report over the next ten years there will be ID card specific costs of over £800 million. This is a valuable contribution to reducing the deficit."

*Conservative Party, "Labour's tax and spending lies: The Dodgy Dossier", 4 January 2010, p. 9*

- They now describe this as "a valuable contribution to reducing the deficit", which is their fourth separate allocation of ID card savings, following the Border Protection Service, residential abstinence-based drug rehabilitation and more prison places.
- The figures in the cost report the Conservatives refer to are gross figures. The Conservatives fail to recognise that over the lifetime of the programme all of these costs would be recouped through fees.
- If the Conservatives scrap the ID cards, they would scrap the fees as well – so this would do nothing to pay down debt.

### **Notes**

- Savings from scrapping ID cards have been allocated by the Conservatives to pay for a Border Protection Service (p. 162), residential abstinence-based drug rehabilitation programmes (p. 164), more prison places (now dropped – see p. 19), and now paying down debt.

## "Cutting the cost of politics"

### Summary

- The Conservative Party have promised to reduce some Parliamentary and political costs.
- They have provided a costing of this policy, used below.
- They say that they will "send a message that the Westminster gravy train is over by cutting the perks and bureaucracy associated with Parliament to save up to £120 million a year", but their plans only amount to £79.75m per year on their own figures, leaving them £40.25m short.

	2010/11	2011/12	2012/13	2013/14	2014/15
Increase costs of food and drink in Parliamentary cafeterias	<b>£5.5m</b>	<b>£5.5m</b>	<b>£5.5m</b>	<b>£5.5m</b>	<b>£5.5m</b>
Reduce ministerial salaries and then freeze for the rest of the Parliament	<b>£0.25m</b>	<b>£0.25m</b>	<b>£0.25m</b>	<b>£0.25m</b>	<b>£0.25m</b>
Reduce the number of MPs in the following Parliament	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
10% reduction in the costs of Parliament	<b>£50m</b>	<b>£50m</b>	<b>£50m</b>	<b>£50m</b>	<b>£50m</b>
Rule changes on government lobbying	<b>£10m</b>	<b>£10m</b>	<b>£10m</b>	<b>£10m</b>	<b>£10m</b>
Abolish the Standards Board for England	<b>£9.5m</b>	<b>£9.5m</b>	<b>£9.5m</b>	<b>£9.5m</b>	<b>£9.5m</b>
Abolish the Parliamentary Communications Allowance	<b>0*</b>	<b>0*</b>	<b>0*</b>	<b>0*</b>	<b>0*</b>
Cut the number of ministerial cars	<b>£4.5m</b>	<b>£4.5m</b>	<b>£4.5m</b>	<b>£4.5m</b>	<b>£4.5m</b>

\*This does not go beyond an existing Government commitment (see below).

All the above figures were given by the Conservatives as for a single year, so a flat projection has been assumed.

### The Conservative Commitment

- David Cameron has pledged to reduce "the cost of politics" in the following ways

"We've already said we'll get rid of the £10,000 yearly 'Communications Allowance' that every MP gets. It may sound new fangled, but let me tell you : it's nothing less than old-fashioned, state-sanctioned propaganda. It's there for every MP to pay for sending newspapers and leaflets to their constituents to tell them how great they are, what a brilliant job they're doing and why they're the best thing since sliced bread. It's anti-democratic, it's a waste of money, so it's gone. And the best thing is, we'll save the taxpayer £5 million."

*David Cameron, Speech on "Cutting the Cost of Politics", 8 September 2009*

"So with the Conservatives, the cost of food and drink in Parliament will be increased to match the prices normal people pay in cafes, restaurants and bars around the country. Slashing the subsidy in this way will

save up to £5.5 million."

*David Cameron, Speech on "Cutting the Cost of Politics", 8 September 2009*

"And if we're going to cut the cost of the cars, let's also start at source and cut the cost of ministers. There are currently 169 government ministerial posts and 3 opposition party posts that receive additional taxpayer funded salaries, on top of the standard MP salary. These ministerial salaries range from £26,624 to £132,923. It's only right, at a time when the country has to share in financial pain, that they make their sacrifice. So we will cut all Ministerial salaries - that's the money they get on top of their MPs' salary - by an immediate five percent. This means a pay cut of £6,500 for the Prime Minister and a £4,000 pay cut for Cabinet Ministers. On top of that, we will freeze those salaries for the lifetime of the next Parliament. That means a further pay cut when inflation is taken into account - and a saving of over a quarter of a million pounds a year for the taxpayer."

*David Cameron, Speech on "Cutting the Cost of Politics", 8 September 2009*

"And we have also said we will scrap the Standards Board for England. This is the body that judges the performance of Councils and Councillors. That's what the voter is supposed to do. By abolishing the Standards Board, we will save £9.5 million."

*David Cameron, Speech on "Cutting the Cost of Politics", 8 September 2009*

"We will follow the example of the United States and impose new financial rules to stop public sector bodies from hiring consultants to lobby politicians. At a stroke, this will save £10 million a year."

*David Cameron, Speech on "Cutting the Cost of Politics", 8 September 2009*

"So we will require the Boundary Commission to set out detailed proposals to reduce the number of MPs by ten percent for the next General Election. That will be a reduction from 650 to 585, and will save £15.5 million. So the Conservatives will demand from the Parliamentary authorities a ten percent cut in costs, banking the taxpayer £50 million."

*David Cameron, Speech on "Cutting the Cost of Politics", 8 September 2009*

"And what about cars?"

"If there is something that really annoys people it's seeing politicians swanning around in chauffeur-driven cars like they're the Royal Family.

"It's actually not as simple as that.

"There are times when having a car to hand...

"...which gets a minister to a certain place on time...

"...is absolutely vital to our democratic process - for example, to make a vote in the House of Commons, or to meet a foreign dignitary or open a school.

"But there is no need for 171 of these cars to be on hand for every government minister, whip - and indeed, myself.

"In these economic times, when everyone is making their own sacrifice, this number cannot be justified.

"So the Conservatives will cut the budget for official government cars by a third.

"If that means fewer cars - and ministers using them more efficiently - then so be it."

*David Cameron, Speech on "Cutting the Cost of Politics", 8 September 2009*

## **Basis of Costing**

- The figures in the table above are those given by David Cameron, with the exception of the savings on the Communications Allowance (already contained in the Kelly report which the Government has accepted) and the savings from reducing the number of MPs, which could only come into effect after another general election and can therefore save nothing in the next parliament. David Cameron did not give a figure for savings from cutting the number of ministerial cars, but the Conservatives have subsequently said that they believe this would save £4.5m per year and this document uses this figure.

## **The Conservative response**

- The Conservatives accept that Labour's analysis of their tax and spending plans published in

January used their costings. However, they pointed out that they had also proposed to cut the number of ministerial cars, saving £4.5m per year, and that this had not been included.

"Labour have not found fault with any of our costings. However, for some reason they have excluded our plans to cut the number of ministerial cars (saving £4.5m per year)."  
*Conservative Party press release, 4 January 2010, p. 9*

- In their response to Labour's 150-page document analysing all of their tax and spending promises, the Conservatives were only able to identify this one saving commitment they had made which had not been accounted for.
- In their draft manifesto published on 9 February, the Conservatives claim that they will "save up to £120m a year" by "cutting the perks and bureaucracy associated with Parliament".

"The cost of politics has got out of control and there are too many subsidies, perks and privileges. We will send a message that the Westminster gravy train is over by cutting the perks and bureaucracy associated with Parliament to save up to £120 million a year."  
*Conservative Party, Draft Manifesto 2010, Chapter Three, Fixing Our Broken Politics, p. 4*

- Yet the Conservative plans to cut the cost of politics, including the proposal to cut the number of ministerial cars, only saves a total of £79.75m per year. Since the Conservatives have not come up with any other proposals to cut the cost of politics, and have not disputed the costings used in our analysis of their proposals, it is not clear where the plan "to save up to £120 million a year" comes from – in fact, on their own figures they are £40.25m short of this.

## Scrap the Trade Union Modernisation Fund

### Summary

- The Conservative Party has promised to scrap the Trade Union Modernisation Fund.
- They never provided a costing of what they expect to save from this policy, but a recent Parliamentary Answer setting out planned TUMF expenditure has been used below.
- In March 2010, the *Financial Times* reported that the Conservatives had dropped their commitment to scrapping the Trade Union Modernisation fund. This was confirmed by CCHQ, then denied the following day by David Cameron.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£1.8m</b>	<b>£1.8m*</b>	<b>£1.8m*</b>	<b>£1.8m*</b>	<b>£1.8m*</b>
*BIS have published planned expenditure to 2011/12 on TUMF. For future years a flat projection has been assumed for the purposes of this document.				

### The Conservative Commitment

- David Cameron has pledged to scrap the Trade Union Modernisation Fund:

"I've just seen the proposal from Gordon Brown to put even more money into the 'Trade Union modernisation fund'. I think that this is a waste of taxpayers money and, frankly, fairly dodgy as in return for the £10 million or so Labour have given to the Unions, they give back almost the same amount in terms of funds for the party and the general election fund. I think that the Modernisation fund should be scrapped altogether. So much for all the posturing at the TUC yesterday. When it comes to Gordon Brown, you always need to check the small print."

*David Cameron, Online Q and A, Telegraph.co.uk, 11 September 2007*

### Basis of Costing

- The minister responsible for the TUMF, Pat McFadden, provided the following answer on planned expenditure on TUMF to 2010/11 in answer to a Parliamentary question.

**Mr. Maude:** To ask the Secretary of State for Business, Enterprise and Regulatory Reform what the planned expenditure on the Trade Union Modernisation Fund is in each of the next three years. [217363]

**Mr. McFadden:** The forecast accruals are as follows:

£ million  
2008-09        2.1 (1)  
2009-10        1.3  
2010-11        1.8

(1) Including spend to date.

*Hansard, 15 September 2008, Column 2145W,*

[http://www.parliament.the-stationery-](http://www.parliament.the-stationery-office.co.uk/pa/cm200708/cmhansrd/cm080915/text/80915w0028.htm#08091528000102)

[office.co.uk/pa/cm200708/cmhansrd/cm080915/text/80915w0028.htm#08091528000102](http://www.parliament.the-stationery-office.co.uk/pa/cm200708/cmhansrd/cm080915/text/80915w0028.htm#08091528000102)

### The Conservative response

- Following the publication of Labour's analysis of Conservative tax and spending plans in January, the Conservatives did not dispute the estimate of the savings this could make, and said that this "proves that taxpayers' money is being handed to trade union bosses by Labour ministers reliant on union donations".

"As Labour's own costings show, the Trade Union Modernisation Fund is worth millions of pounds a year.

Their attack proves that taxpayers' money is being handed to trade union bosses by Labour ministers reliant on union donations."

*Conservative Party press release, 4 January 2010, p. 9*

- In fact the fund is part of the Government's commitment to delivering greater productivity, more effective workplace practices and a highly trained and motivated workforce. The Government has set out in legislation that the fund cannot be used to support the day-to-day or political activities of unions. Bids for money from the Trade Union Modernisation Fund are assessed by an independent Supervisory Board comprising individuals from union, academic and industry backgrounds.

## Notes

- The *Financial Times* reported in March 2010 that the Conservatives were no longer planning to scrap the Trade Union Modernisation Fund.

"The Tories in 2007 called on Gordon Brown to 'scrap the subsidy' of the modernisation fund, which Labour set up in 2005 to pay unions to reform.

"But Mr Cameron is set to disappoint the many Tory MPs and activists who assume that a Conservative government would axe the modernisation fund that supports Unite and other unions.

"The fund is due to pay out £2.4m this year and next.

"We will honour commitments made [under the fund] – we're not in the business of doing things like tearing up agreements," Mr Balfe [Richard Balfe, Conservative Party envoy to the trade union movement] said."

*Financial Times, 22 March 2010*

- The Conservative grassroots website *ConservativeHome* reported that this story had been confirmed by CCHQ.

"10.30am – CCHQ has confirmed the story IS true. The Trade Union Modernisation Fund will continue if Cameron becomes Prime Minister]."

*Tim Montgomerie, ConservativeHome, 22 March 2010,*

<http://conservativehome.blogs.com/thetorydiary/2010/03/on-saturday-cameron-promised-to-tackle-the-vested-interests-today-we-learn-he-may-continue-to-subsid.html>

- However, the following day David Cameron said at his monthly press conference that the Conservatives opposed the modernisation fund, and that "it would be suspended".

Q: Can the country continue to afford to pay millions of pounds a year to trade unions through the modernisation fund and the learning fund? And given the chaos at BA, do you think taxpayers will think that is a good use of money?

David Cameron: Well there are two funds here, there is the union modernisation fund which the Conservative Party has always opposed, we opposed it when it was first established and on many occasions we have said that we don't support it, most recently I think Francis Maude said that it would be suspended at the party conference. So that deals with the modernisation fund. The union learning fund is slightly different, money through the union learning fund can only go to training schemes if they are actually backed by the employer, by the company itself, and of course we do back workplace learning and training schemes. So it does seem to me there is a big difference between the learning fund and the modernisation fund, but in either case we will want to make very, very sure that everything is about value for money, that there is no recycling of money going into the unions and then going off to the Labour Party and all the rest of it, and I think there has been something of a boondoggle for them in recent years.

*Press conference, 23 March 2010*

## Increase the state pension age

### Summary

- The Conservative Party have promised to increase the state pension age in 2016 at the earliest.
- They have not provided figures on the savings from this policy for the next Parliament because the move is delayed to the following Parliament. Therefore no savings have been credited to the Tories in any year of the next Parliament.

2010/11	2011/12	2012/13	2013/14	2014/15
0	0	0	0	0

### The Conservative Commitment

- The Conservative Party has pledged to increase the state pension age.

"All parties accept that to afford that with an ageing population, the state pension will have to rise. The women's pension age is already set to start rising over the next decade to 65. And by 2026 the pension age for men and women will reach 66. This is already happening. But most experts – including Lord Turner who made this recommendation – now think that is too far off. So we will hold the review which Turner's Report itself proposed and which this government has never held. Our aim will be to bring forward the date when the pension age rises."

*George Osborne, Speech to Conservative Party Conference, 6 October 2009*

"Well no, the savings come from the change in the male pension age from 65 to 66. That does save something like £13 billion a year, it's a significant saving but it is I think important to look some of these complex issues like how you bring together the man's and woman's state pension age, that's why we'll have a senior independent review."

*David Cameron, BBC Breakfast, 6 October 2009*

### Basis of Costing

- The Conservative Party has been clear that it does not plan to introduce this policy in the next Parliament.

"We will ensure that no increase will happen until the second half of the next decade – in the Parliament after next. For men this means the pension age will not start to rise to 66 until at least 2016. For women this means the pension age will not start to rise from 65 to 66 until at least 2020. No one who is a pensioner today, or approaching retirement soon, will be affected."

*George Osborne, Speech to Conservative Party Conference, 6 October 2009*

### The Conservative response

- The Conservatives accept that this will raise no money in the next Parliament.

"The dossier is correct that this policy will not generate any savings in the next Parliament. We have never claimed otherwise."

*Conservative Party press release, 4 January 2010, p. 9*



# Spending promises (costed)

This section sets out costed spending promises worth £9.05 billion, to which the Conservatives are committed.



## Back to work programmes

### Summary

- The Conservatives have promised to introduce a number of new back to work programmes and skills policies (see p. 125 for their skills policies) funded by scrapping the existing back to work programmes like the New Deal and Train to Gain.
- In this document, the Conservative pledges on back to work programmes (listed here), skills (listed on p. 125) and their savings to pay for them (see p. 78) have all been shown with the costings that the Conservatives have given for them.
- The Conservatives attempted to produce a cost neutral package by reducing spending on existing employment and skills programmes (p. 78), making savings from moving incapacity benefit claimants into work (see p. 95) and then spending the saved money on new employment and skills programmes (see this section and p. 125). However, because they have revised down their own projected savings from Train to Gain, and their claimed savings from new welfare assessments do not go credibly beyond existing Government plans (see p. 95), there is a gap in their figures.

	2010/11	2011/12	2012/13	2013/14	2014/15
"The Work Programme"	£1,210m	£1,210m	£1,210m	£1,210m	£1,210m
"Work Together"	£3.33m	£3.33m	£3.33m	£3.33m	£3.33m
"Work Clubs"	£6.66	£6.66	£6.66	£6.66	£6.66
"Work for Yourself"	£50m	£50m	£50m	£50m	£50m
Service Academy	£20m	£20m	£20m	£20m	£20m
Work Pairings	£100m	£100m	£100m	£100m	£100m
<b>TOTAL</b>	<b>£1.39bn</b>	<b>£1.39bn</b>	<b>£1.39bn</b>	<b>£1.39bn</b>	<b>£1.39bn</b>

### The Conservative Commitment

- The Conservatives are committed to introducing a number of new back to work programmes, funded by scrapping existing programmes.

"Well, we have set out our funding absolutely for our Get Britain Working programme, so we will take money that the government is using currently on programmes of getting on for £3bn and actually use that money in a different way, and in addition, we'll take some extra money from a different budget, something called Train to Gain which hasn't been providing training that people really need, and create over two years 400,000 more apprenticeships and training places."

*Theresa May, Sky News, 17 March 2010*

- The Conservative policy paper "Get Britain Working", published in October 2009, contained a number of spending proposals on measures to tackle unemployment and reform welfare.

*£1.21bn on "The Work Programme" (£3.63bn over three years)*

"We will replace Labour's numerous unemployment programmes with one flagship programme – *The Work Programme*"

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p 29*

"The keystone of our new policy is *The Work Programme*, a single integrated welfare to work programme which will cover those transferring from Incapacity Benefits to Employment and Support Allowance as a result of work tests, the long term unemployed, lone parents and the recently unemployed. This fully funded

programme will replace Labour's failing New Deals, the Flexible New Deal and Pathways to Work. It will offer support to the vast majority of the people currently on Incapacity Benefit that have been abandoned by this government."

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p 6*

#### *£3.33m on "Work Together" (£10m over three years)*

"To facilitate this we will establish *Work Together*, an initiative that connects people with volunteering opportunities in their area. Meaningful activity has many benefits for those who are looking for work and many voluntary organisations would welcome volunteers from all backgrounds to help them during this very difficult period."

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p 8*

#### *£6.66m on "Work Clubs" (£20m over three years)*

"*Work Clubs* will build on our Jobs Clubs initiative. We will provide support and funding if required to expand the services provided by existing Jobs Clubs and offer opportunities to social enterprises, local volunteers and social entrepreneurs to expand their own Job Club' initiatives to support jobseekers, or to create a new *Work Club* in those communities where they do not yet exist."

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p 54*

#### *£50m on "Work for Yourself" (£150m over three years)*

"The Conservative *Work for Yourself* programme will increase significantly the number of people helped into self-employment, freelance creative work, small business creation or franchise management as a route out of unemployment."

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p 47*

"*Work for Yourself* will be rolled out as a high-profile national scheme. It will be distinct from other aspects of the Work Programme and will include:

- o training and practical advice for would-be entrepreneurs delivered by business experts with a track record of success;
- o business mentors who are given incentives to establish commercially viable businesses which stand the test of time;
- o government support in obtaining loan funding from the Small Firms Loan Guarantee Scheme for each participant to provide an injection of working capital in order to get new businesses going;
- o additional support to obtain capital to kick-start a new business, for people who want to operate a franchise; and
- o continued JSA payments for *Work for Yourself* participants for a six month period."

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p 48*

#### *£20m on a Service Academy (£60m over three years)*

"We will launch a Service Academy programme to provide pre-employment customer service skills courses with the active co-operation of sector skills councils and of service sector employers. The courses will provide excellent grounding and rebuild the confidence of any long-term unemployed person, so that he or she will be in a position to enter a service sector job."

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p 33*

#### *£100m on "Work Pairings" (£300m over three years)*

"Work Pairings - young people will be assigned to sole traders for six months of meaningful work experience

and mentoring. The sole traders will pass through to the young people a wage equal to the benefits that would otherwise be paid, together with £1 an hour of additional pay. *Work Pairings* will be aimed at young people who are demotivated by classroom based learning but do not yet have the skills to secure an apprenticeship or permanent job."

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p 7*

"We will also introduce the *Work Pairing* programme, which will create up to 100,000 places over two years. This programme will team up teenagers with sole traders for extended one-to-one work mentoring of six months. We will help to create an intermediary market to manage this, along the lines of successful models already pioneered."

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p 37*

## Basis of Costing

- The Conservatives say they plan to fund these proposals through replacing Labour's New Deal and Pathway to Work programmes as well as other Government jobs and skills programmes. They claim that over time the proposals in "Get Britain Working" will more than pay for themselves from savings from welfare dependency. In the meantime there is an upfront cost of £600m over three years which the Conservative claim would be funded by migrating Incapacity Benefit claimants to Job Seekers Allowance (see p. 95).

*From Getting Britain Working, 5 October 2009 (employment measures underlined):*

**Table 3: Get Britain Working Costing and Funding Sources: 2010/11-2012/13**

<b>Conservative Programme Spend</b>	<b>Total Funding 2010/11-2012/13 (£m)</b>
<u>Conservative funding for The Work Programme</u>	3,630
<u>Apprenticeships and pre-apprenticeships</u>	2,340
<u>Work Pairings</u>	300
<u>FE College Places</u>	200
<u>Young Apprenticeships</u>	210
<u>Service Academy</u>	60
<u>Work for Yourself</u>	150
<u>Work Together</u>	10
<u>Work Clubs</u>	20
<b>Total Conservative spend</b>	<b>£6,920</b>
<b>Labour Programme spend for Reallocation</b>	<b>Total Funding 2010/11-2012/13 (£m)</b>
Labour New Deal and Employment Programmes	3,420
Train to gain	2,540
DCSF funding for vocational courses	210
RDA budget	150
<b>Total Labour spend</b>	<b>£6,320</b>
<b>Net Conservative spend</b>	<b>£600</b>
<b>Savings from migrating IB claimants to JSA</b>	<b>£600+</b>

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p.57*

## The Conservative response

- The Conservatives say that Labour has inflated the costs of their policies

"Labour have inflated the costings of these policies in several ways. First, not all of our Get Britain Working programmes will run for the full five years of the Parliament, yet all the costings are included for the entire

period. Second, the cost of the Work Programme begins to decline rapidly in the third year as savings come through from getting more people back into work – therefore Labour’s Work Programme costs from 2012/13-2014/15 are grossly inflated.

“Under our proposals, the back to work programmes are fully funded by refocusing train to gain funding, the New Deals and employment programmes (as described on page 49).”

*Conservative Party press release, 4 January 2010, p. 10*

- Although the Conservatives have only published three-year figures on their Get Britain Working programmes, it is reasonable to assume that programmes to support people back into employment will continue to be required after three years, whoever is in government. The Conservatives evidently assume this too, because they say, “not all of our Get Britain Working programmes will run for the full five years of the Parliament”, without saying which ones will and which ones will not. In the absence of further details from the Conservatives, the best estimate of the cost of these programmes is provided by annualising all of their three-year figures and extending them across a full Parliament.

### **Notes**

- The Conservatives attempted to produce a cost neutral package by reducing spending on existing employment and skills programmes (see p. 78), making savings from moving incapacity benefit claimants into work (see p. 95) and then spending the saved money on new employment (this section) and skills programmes (see p. 125).
- However, their most recent policy document revised down their own projected savings from Train to Gain (see p. 78).
- Secondly, their policy relies on making substantial immediate savings by testing existing incapacity benefit claimants’ ability to work and moving them to job seekers allowance if they are judged able to work. But under existing Government plans, over 3 years, all existing claimants will go through the new assessment too. The Government is undertaking this total re-assessment as rapidly as is practicably possible, testing thousands of people each week, alongside support to get people back to work. Therefore there are no additional savings beyond the Government’s plans (see p. 95).

## Skills provision

### Summary

- The Conservatives have promised to introduce a number of new back to work programmes and skills policies (see p. 121 for their back to work policies) funded by scrapping existing back to work programmes like the New Deal and Train to Gain.
- In this document, the Conservative pledges on back to work programmes (see p 121), skills (listed here) and their savings to pay for them (see p. 78) have all been shown with the costings that the Conservatives have given them.
- The Conservatives attempted to produce a cost neutral package by reducing spending on existing employment and skills programmes (see p. 78), making savings from moving incapacity benefit claimants into work (see p. 95) and then spending the saved money on new employment (see p. 121) and skills programmes (discussed here). However, after they have revised down their own projected savings from Train to Gain, there is a gap in their figures. Their claimed savings from new welfare assessments do not go credibly beyond existing Government plans (see p. 78), and so cannot help to fill that gap.

	2010/11	2011/12	2012/13	2013/14	2014/15
Apprenticeships and pre- apprenticeships	£775m	£775m	£775m	£775m	£775m
Group Training Associations	£5m	£5m	£5m	£5m	£5m
Business Skills Development fund	£60m	£60m	£60m	£60m	£60m
Community Learning Fund	£100m	£100m	£100m	£100m	£100m
NEETS fund/FE places*	£100m	£100m	-	-	-
Sector Skills Councils	£35m	£35m	£35m	£35m	£35m
All-age Careers Service	£285m	£285m	£285m	£285m	£285m
Young Apprenticeships	£70m	£70m	£70m	£70m	£70m
<b>Total</b>	<b>£1,430m</b>	<b>£1,430m</b>	<b>£1,330m</b>	<b>£1,330m</b>	<b>£1,330m</b>

\* With the exception of this item all of these costings are annual figures in the "Building Skills, Transforming lives" Conservative policy document from July 2008, or are annual figures included from that document that are also included in the "Get Britain Working" policy document from October 2009 as three year figures. According to the "Get Britain Working" document the "Neets Fund" as outlined in the "Building Skills, Transforming Lives" document would be spent on Further Education places for two years. We have assumed in this case, since this is time limited in the later document, that the Neets fund as outlined in the "Building Skills Transforming lives" document would also be time limited – although this was not made clear in the earlier document.

### The Conservative Commitment

- The Conservative skills policy paper "Building Skills, Transforming Lives", published in July 2008, contained a number of spending proposals on skills. Some of these commitments were amended or reiterated in the document "Getting Britain Working", which also contained a number of new commitments on skills.

### *£775m on apprenticeships and pre apprenticeships plus £5m on Group Training Associations*

"We will offer a major boost to the provision of real apprenticeships by injecting £775 million of government funds to support real apprentices of all ages.

"Currently, many people over the age of 19 receive funding for only half the costs of a genuine workplace apprenticeship. We will offer full funding for these 77,000 courses and provide funding for 100,000 completely new, real workplace apprenticeship places for people of all ages."

*Conservative Party, "Building Skills, Transforming Lives: A Training and Apprenticeships Revolution, Opportunity Agenda Policy Green Paper No.7", 23 July 2008, p. 21*

"To support our expansion of apprenticeships, we will create flexible Lifelong Learning Accounts that will allow people to spend an allocation of money on the training they need to raise their skills."

*Conservative Party, "Building Skills, Transforming Lives: A Training and Apprenticeships Revolution, Opportunity Agenda Policy Green Paper No.7", 23 July 2008, p. 25*

"We will provide funds to make it easier for employers to come together and pool their resources and talent to create their own apprenticeships schemes, or 'Group Training Associations'.

"When a substantial body of employers within an industry is committed to sponsoring apprenticeships, they should be encouraged and enabled to develop their own apprenticeship schemes. This is a key way of ensuring employers, including small employers, are committed to apprenticeships.

"To ensure greater employer involvement in apprenticeships, funds should be provided for pilot schemes of new GTAs, led by employers who already run successful apprenticeship schemes. We propose to spend £5 million above the Government's allocation to ensure faster progress in this area."

*Conservative Party, "Building Skills, Transforming Lives: A Training and Apprenticeships Revolution, Opportunity Agenda Policy Green Paper No.7", 23 July 2008, p. 23*

"Apprenticeships – we will provide 100,000 additional apprenticeships and pre-apprenticeships each year by offering SMEs incentives to take on apprentices and by simplifying the system. We will ensure that all apprenticeships are work focused and will make it easier for companies, especially SMEs, to run apprenticeship programmes. We will also introduce a programme of pre-apprenticeships for those who do not have the basic skills required to access a full apprenticeship."

*Get Britain Working: Conservative proposals to tackle unemployment and reform welfare, published 05 October 2009, pg 7*

### *£60m on a Business Skills Development Fund*

"And we will establish a Business Skills Development Fund of £60 million to ensure some public funding for particularly innovative or important workplace training schemes that are not eligible for funding from other public sources.

"A bonus for small business engaged in training

"Our funding plans include a £2,000 bonus for each apprentice taken on by a small or medium-sized enterprise (SME) to encourage apprenticeship provision among SMEs."

*Conservative Party, "Building Skills, Transforming Lives: A Training and Apprenticeships Revolution, Opportunity Agenda Policy Green Paper No.7", 23 July 2008, p. 21*

### *£100m on a Community Learning Fund*

"We will expand the provision of adult and community learning with a £100 million Community Learning Fund for much-needed courses to help people gain new skills, boost their employability and add social value."

*Conservative Party, "Building Skills, Transforming Lives: A Training and Apprenticeships Revolution, Opportunity Agenda Policy Green Paper No.7", 23 July 2008, p. 22*

### *£100m on a NEETs Fund which will fund 100,000 new Further Education places*

"We will provide an additional £100 million of targeted support for young people not in education, employment or training."

*Conservative Party, "Building Skills, Transforming Lives: A Training and Apprenticeships Revolution, Opportunity Agenda Policy Green Paper No.7", 23 July 2008, p. 22*

"We will also create an extra 50,000 Further Education college places in each of two years, by allocating our NEET's fund to increase Further Education college and other training places for this group."  
*Get Britain Working: Conservative proposals to tackle unemployment and reform welfare, published 05 October 2009, p 37*

### *£35m on Sector Skills Councils*

"We will ensure quality control in our expanded FE sector by allowing the Sector Skills Councils to accredit courses, and provide £35 million additional annual funding to enable them to do so.

"Our proposed funding structure will treat public and private sector training providers similarly. Indeed, we propose a simpler structure that is intended to have the benefit of encouraging more private sector and social enterprise participation in skills training.

"With the entry of new providers into the FE sector, quality control will obviously be essential, but a new funding approach should not require a reinvention of the accreditation structure. Existing accreditation by Sector Skills Councils (SSCs) has a strong and well-deserved reputation, and we will ask them to accredit courses in our new, more open supply structure. In return for these additional responsibilities, we will increase their budgets by £35 million a year. Mindful of the importance of cross-sector skills, we will redefine the role of the Commission for Employment and Skills to coordinate the work of the SSCs."

*Conservative Party, "Building Skills, Transforming Lives: A Training and Apprenticeships Revolution, Opportunity Agenda Policy Green Paper No.7", 23 July 2008, p 23*

### *£285m on a new all-age careers advice service*

"We will establish a careers adviser in every secondary school and college, and create a new all-age careers advice service to provide a universally recognised, community-based source of advice and guidance for people."

*Conservative Party, "Building Skills, Transforming Lives: A Training and Apprenticeships Revolution, Opportunity Agenda Policy Green Paper No.7", 23 July 2008, p. 26*

"Of the £285 million we have set aside for a revolutionary all-age careers service, £180 million will be allocated to provide funding for full-time careers advisers in every school and FE college, £100 million will fund the all-age element of careers advice and £5 million will be allocated to developing a website."

*Conservative Party, "Building Skills, Transforming Lives: A Training and Apprenticeships Revolution, Opportunity Agenda Policy Green Paper No.7", 23 July 2008, p. 29*

"That is why we will introduce a £180 million independent careers advice service for all secondary schools. It will be independent, for example giving information about the most appropriate mix of A levels for individual students, rather than the A-Levels that would most aid the school's league table standing. It will be in all schools, so every child is given advice. And it will be an all-age careers service, to help those who are already NEET and missed out on good advice at school."

*David Willetts, speech on 9 January 2009*

### *£70 Million on Young Apprenticeships*

"we will expand the government's Young Apprenticeship (YA) scheme, which offers vocational training for 14-16 year olds, from the current 10,000 to over 30,000. We will also simplify the system to make it easier and more attractive for schools to offer the YAs."

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p. 7*

## **Basis of Costing**

- The Conservatives say they plan to fund these proposals through cuts to the Train to Gain budget, as well as through removing funding functions from the Learning and Skills Council and moving spending on careers advice, cuts to RDAs, and cutting funding for vocational courses and have set out their proposals for reallocating that spending twice; once in a 2008

policy paper and once in 2009. Where there are discrepancies between the two papers, the later paper has been used as the final figure.

*From Building Skills, Transforming Lives, 23 July 2008;*

### 3.1 EXPENDITURE IMPLICATIONS (2010/11)

	<b>Releasing funds for priority spending:</b>	<b>£1,360m</b>
	1. Refocus 2010/11 Train to Gain budget on apprenticeships	£1,025m
	2. Remove LSC funding functions and create new FEFCE	£85m
	3. Refocus spending on adult careers advice	£40m
	4. Refocus careers advice element of Connexions budget	£210m
	<b>Funding for our proposals:</b>	<b>£1,360m</b>
	5. Lifelong learning accounts for apprenticeships	£520m
	6. SME apprenticeship bonus	£255m
<b>Refocused Train to Gain Budget</b>	7. Group Training Associations	£5m
	8. Sector Skills Councils	£35m
	9. Community Learning Fund	£100m
	10. NEETs Fund	£100m
	11. Business Skills Development Fund	£60m
	12. New all-age careers advice, of which:	£285m
	(i) Careers advisors in schools and colleges	(£180m)
	(ii) all-age service alongside Connexions	(£100m)
	(iii) internet delivery	(£5m)

*All figures rounded to nearest £5m  
Conservative Party, "Building Skills, Transforming Lives: A Training and Apprenticeships Revolution, Opportunity Agenda Policy Green Paper No.7", 23 July 2008, p. 27*

*From Getting Britain Working, 05 October 2009 (skills measures underlined); ;*

**Table 3: Get Britain Working Costing and Funding Sources: 2010/11-2012/13**

<b>Conservative Programme Spend</b>	<b>Total Funding 2010/11-2012/13 (£m)</b>
Conservative funding for The Work Programme	3,630
<u>Apprenticeships and pre-apprenticeships</u>	<u>2,340</u>
Work Pairings	300
<u>FE College Places</u>	<u>200</u>
<u>Young Apprenticeships</u>	<u>210</u>
Service Academy	60
Work for Yourself	150
Work Together	10
Work Clubs	20
<b>Total Conservative spend</b>	<b>£6,920</b>
<b>Labour Programme spend for Reallocation</b>	<b>Total Funding 2010/11-2012/13 (£m)</b>
Labour New Deal and Employment Programmes	3,420
Train to gain	2,540
DCSF funding for vocational courses	210
RDA budget	150
<b>Total Labour spend</b>	<b>£6,320</b>
<b>Net Conservative spend</b>	<b>£600</b>
<b>Savings from migrating IB claimants to JSA</b>	<b>£600+</b>

*Conservative Party, "Get Britain Working: Conservative proposals to tackle unemployment and reform welfare", 5 October 2009, p. 57*

### **The Conservative response**

- The Conservatives agree with these costings. But they dispute Labour's estimate of their

proposed savings on Train to Gain – despite saying in their response to Labour’s estimate elsewhere in the document of their proposed savings from Train to Gain that “Labour have simply repeated the savings we will make in order to fund our back to work programmes”, and noting that the costings had been made by David Freud (p. 78).

“Labour accept our costings of these policies. However, again they have disputed the funding source. It is our intent to refocus the entire Train to Gain budget, which will be £1.023 million in 2010/11 (Source: DIUS Annual Report, 2008). We have committed to apply £775 million of Train to Gain funds to Apprenticeships, as outlined in Get Britain Working. The remaining Train to Gain funds, in addition to RDA and moving spending on careers advice, will be used to fund the Business Skills Development Fund, Community Learning Fund and NEETS Fund.”

*Conservative Party press release, 4 January 2010, p. 10*

“Labour have simply repeated the savings we will make in order to fund our back to work and skills programmes... These plans were costed by David Freud, who was the Government’s own welfare adviser.”

*Conservative Party press release, 4 January 2010, p. 7*

## Notes

- The Conservatives attempted to produce a cost neutral package by reducing spending on existing employment and skills programmes (see p. 78), making savings from moving incapacity benefit claimants into work (see p. 95) and then spending the saved money on new employment (see p. 121) and skills programmes (discussed here).
- However, their most recent policy document revised down their own projected savings from Train to Gain (see p. 78).
- Secondly, their policy relies on making substantial immediate savings by testing existing incapacity benefit claimants’ ability to work and moving them to job seekers allowance if they are judged able to work. But under existing Government plans, over 3 years, all existing claimants will go through the new assessment too. The Government is undertaking this total re-assessment as rapidly as is practicably possible, testing thousands of people each week, alongside support to get people back to work. Therefore there are no additional savings beyond the Government’s plans unless the Conservatives are proposing arbitrary cuts in benefits (see p. 95).

## Swedish-style New Academies

### Summary

- The Conservative Party have promised to create 220,000 new school places in Swedish style academies.
- They have accepted that there are additional capital costs associated with building new schools, and promised to reallocate funds from the Building Schools for the Future (BSF) budget to pay for these. The Conservative figures have been used on these increased capital costs and their counterbalancing spending reduction on BSF (see p. 83).
- The Conservatives originally claimed that there are no additional running costs due to these new school places. This is an unrealistic assumption and an HM Treasury costing found that additional running costs would be substantial in a first Parliament. Evidence from where a similar policy has been implemented in Sweden suggests that it involves "significant increases in costs". The Conservatives have subsequently admitted that there would be additional running costs, although they have not said how much they think these will be.
- The Conservatives say that the number of additional places created increase year on year for nine years. The total running costs increase with rising number of places.
- The costing below sums the Conservative figures on capital costs (funded through spending reductions on BSF as discussed on p. 83) and the additional running costs estimated in the HM Treasury costing.

	2010/11	2011/12	2012/13	2013/14	2014/15
Capital	£428m	£444m	£528m	£525m	£525m
Running	£153m	£246m	£366m	£473m	£580m
Total	<b>£581m</b>	<b>£690m</b>	<b>£894m</b>	<b>£998m</b>	<b>£1,105m</b>

### The Conservative Commitment

- The Conservative policy of allowing parents, charities and other organisations to set up their own government-funded academies was set out in their education policy paper "Raising the Bar, Closing the Gap" in November 2007, and announced by Michael Gove at the Conservative Party Conference in September 2008.

"Provide over 220,000 new school places. That would meet the demand from every parent who lost their appeal for their first choice school in our most deprived boroughs.

"Allow educational charities, philanthropists, livery companies, existing school federations, not for profit trusts, co operatives and groups of parents to set up new schools in the state sector and access equivalent public funding to existing state schools."

*Conservative Party, "Raising the Bar, Closing the Gap, Opportunity Agenda Policy Green Paper No. 1", 20 November 2007, p. 9*

"We would follow the example of social democratic Sweden. Where parents choose schools instead of schools choosing parents.

"As we outline to day in our social reform plan – and as you may have seen in the film we showed earlier – Sweden has driven up standards in all its schools by making one crucial change. Any parent can take the money the Government currently spends on their child's education and take that money to the school they want."

*Michael Gove, Speech to Conservative Party Conference, 30 September 2008*

"The structural change is we've got to bust open the state monopoly on education and allow new schools to be established. It's what's happened in Sweden, in parts of America it's hugely successful in terms of making sure there's excellence, there's competition, there's innovation and new excellent schools come along. It's a

big chance. It will mean some big battles with forces of resistance. Some LEAs might not like it, some of the education establishment won't like it."

David Cameron, *Telegraph*, 6 February 2009

## Basis of Costing

### Capital costs

- The Conservatives published their education policy paper "Raising the Bar, Closing the Gap" in November 2007. They set out figures showing that they would allocate £2.45bn in capital costs to build New Academies in the first five years (£4.55bn over nine years).

"The Building Schools for the Future budget is already set at £9.3 billion for the three years 2008-09 to 2010-11. Redirecting fifteen per cent of this would raise £1.4 billion. Assuming that the funding continues at 2010-11 levels, over nine years this fifteen per cent re-allocation from bureaucratic control to citizen choice would release around £4.5 billion for the building of New Academies. The current capital spending per pupil to build an Academy is approximately £20,000. On the conservative assumption that this figure will persist (conservative because it ignores, for example, the potential for our proposed changes in planning laws and building regulations – set out on pages 47 and 48 – to reduce costs), this £4.5 billion would fund more than 220,000 places over nine years."

Conservative Party, "Raising the Bar, Closing the Gap, Opportunity Agenda Policy Green Paper No. 1", 20 November 2007, p. 39

	Total BSF Funds (£m)	Allocation to new academies (£m)	Places created
Year 1	£2,854	£428	20,986
Year 2	£2,960	£444	21,765
Year 3	£3,517	£528	25,860
Year 4	£3,500	£525	25,735
Year 5	£3,500	£525	25,735
Year 6	£3,500	£525	25,735
Year 7	£3,500	£525	25,735
Year 8	£3,500	£525	25,735
Year 9	£3,500	£525	25,735
		<b>Total Places Created</b>	<b>223,022</b>

Conservative Party, "Raising the Bar, Closing the Gap, Opportunity Agenda Policy Green Paper No. 1", 20 November 2007, p. 40

### Running costs

- The running costs of this policy were revealed in a Freedom of Information Act disclosure by HM Treasury on 16 September 2009.

The following is the annual revenue cost of the policy. This is classed as DEL expenditure (in millions):

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Revenue cost, Primary	20	42	67	92	117	142	167	192	217
Start-up cost, Primary	31	32	38	38	38	38	38	38	38
Revenue cost, Secondary	67	136	219	301	383	465	547	629	711
Start-up cost, Secondary	35	36	43	42	42	42	42	42	42
<b>Total Cost</b>	<b>153</b>	<b>246</b>	<b>366</b>	<b>473</b>	<b>580</b>	<b>687</b>	<b>794</b>	<b>901</b>	<b>1,008</b>

HM Treasury Costing, Released following a Freedom of Information Request, 16 September 2009, [http://www.hm-treasury.gov.uk/d/foi\\_new\\_academies\\_costing.pdf](http://www.hm-treasury.gov.uk/d/foi_new_academies_costing.pdf)

- The FOI disclosure gave further details of the methodology behind this costing.

The costing uses the figures provided on pages 40 and 41 of the Conservative document, Raising the Bar, Closing the Gap, on the overall numbers of new pupil places which will be provided, and the split of these places between primary and secondary school places. This gives the following figures for new pupil places created year on year:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Cumulative Primary places	5,928	12,077	19,383	26,654	33,924	41,194	48,465	55,735	63,006
Cumulative Secondary places	15,057	30,673	49,227	67,691	86,156	104,621	123,085	141,550	160,014

The costing assumes that the revenue cost per pupil is the same as the 2007/08 per pupil funding figures, and assumes no growth on these figures. This gives a per pupil revenue cost per place of £3,450 per Primary school pupil, and £4,440 per Secondary school pupil.

The revenue cost of these policies includes a set-up cost of each place, which assumes that the places are created in 240 place Primary schools, and 1200 place Secondary schools, and that the set-up costs for each are the same as for New Academies.

This costing is concerned only with the revenue costs of the policy, and does not attempt to cost the capital costs of the policy which are estimated in the Conservative document.

*HM Treasury Costing, Released following a Freedom of Information Request, 16 September 2009, [http://www.hm-treasury.gov.uk/d/foi\\_new\\_academies\\_costing.pdf](http://www.hm-treasury.gov.uk/d/foi_new_academies_costing.pdf)*

## The Conservative response

- The Conservatives responded as follows to Labour's costing.

"Labour's numbers are deliberately misleading. They assume that the new school places we have pledged have an additional revenue cost. Labour claim that if a pupil moves school we would have to fund places at their new and old school. But this does not happen at the moment. Money follows the pupil - if a school has fewer pupils this year than it did last year then it receives less funding.

"Our policy is about creating more good school places, not creating more children. Under our proposals, money would continue follow the pupil. So no new revenue money would be spent as the number of pupils in the system remains the same.

"Labour have accepted our estimates of the capital costs of this policy."

*Conservative Party press release, 4 January 2010, p. 11*

- The Conservative response assumes that their policy, apart from capital costs, would have no net impact on the total amount of school spending.
- But in fact, the Conservatives themselves acknowledge that their plans would require additional running costs. In February shadow schools minister Nick Gibb acknowledged that there would be an additional revenue cost in funding the level of over-provision that is required to guarantee parental choice – although he argued that this would be "not a huge cost" because the school could "close classrooms, turn the radiator off and reduce the staff accordingly".

**Martin Linton (Battersea) (Lab):** Having visited a Kunskapsskolan school in Stockholm and, indeed, state schools there, is the hon. Gentleman aware that what creates choice for parents in Sweden is not the provision of those schools, but the over-provision of places? Without keeping places paid for but empty in schools, at huge cost, it is impossible to provide parents with the choice that he implies would be provided. I am eager to hear whether he thinks that any putative Conservative Government would be able to fund—would be willing to fund—the level of over-provision that Swedish schools happily fund to guarantee that parental choice.

**Mr. Gibb:** Yes, there needs to be capacity in the system—the hon. Gentleman is right—but there is not a huge cost, because schools are and, under our proposals, would be funded only on the basis of the number of

pupils in the school. If a school is undersubscribed compared to its capacity, it will have to close classrooms, turn the radiator off and reduce the staff accordingly. That is the system in Sweden and it works there and does not cost huge amounts. Incidentally, Sweden introduced the system in a recession and it proved very cost-effective. So it is not usually expensive to have money following the pupil and to have surplus places in the system at the same time.

*Hansard, 2 February 2010, Column 383*

- The Conservative pledge is that funding would be provided for each of these new school places as soon as they are wanted. But at least in the short term this would mean additional funds, rather than an easy reallocation. For example, if a three pupils from a class of 30 left to go to the new school, it would not allow that school to reduce the teacher's salary by 10 per cent. The marginal cost of educating the first new pupil in a new school would be substantially more than the marginal cost of educating the last pupil of an existing school.
- In the long run, after enough schools had closed or cut back as a result of pupils leaving, the Conservative proposals might reduce their revenue cost. In the short term, and in particular over one five-year parliament, the school system would need to support both existing schools and new academies – otherwise, the transfer of even a small number of pupils from existing schools to new academies, taking their per-pupil funding with them, would make the existing schools dangerously underfunded, with a consequent risk to the education of the remaining pupils. It is unrealistic to imagine that this would be substantially achieved within a Parliament, unless these drastic and unpredictable cuts were imposed on existing schools.
- The LSE's Centre for Economic Performance agrees that in practice, creating extra school places creates additional running costs as existing schools "will not exit at an efficient rate".

"This points to a general weakness in the application of market economics to the public sector. There is no natural mechanism for closing down poor schools (they do not literally go bust). Closing down schools can be slow, political and unpopular. The reality that governments will have to support simultaneously the new schools and the older 'bad' ones, and that the latter will not exit at an efficient rate, needs to be factored into the expected cost-effectiveness of a 'school creation' policy."

*Helena Holmud and Sandra McNally, LSE Centre for Economic Performance, "Centre Piece", Winter 2010, p. 20*

- The experience of Sweden, on which the Conservative model is based, suggests that the system requires overcapacity, and that this leads to additional costs.
- Research by the National Agency for Education in Sweden found that 90% of municipalities which had seen a large number of independent schools had seen a "significant" increase in costs as a result.

As the Swedish National Agency for Education put it: "To provide choice, you have to over-provide."  
*The Independent, 1 December 2008*

"You need overcapacity—everywhere where you expect customers to behave in a rational way you need overcapacity. You need more cars than car buyers: if there are no more cars than buyers, some will not get the car they want."

*Anders Hultin, Chief executive of Kunskapsskolan, Prospect Magazine April 2009*

"Greater disagreement was seen on another question regarding finances. 34 percent consider that the setting up of independent schools has led to significant increases in costs for the municipality "to a very large extent", 22 percent answered "to quite a large extent" and 31 percent "to quite a small extent", while 9 percent answered that this is not at all the case in their municipality. Municipalities with a low proportion of pupils in independent schools consider that they have seen significant increases in costs to a lesser extent

than do municipalities with many pupils in independent schools (see diagram 2:6). To sum up, 90 per-cent of the municipalities with independent schools consider that independent schools being set up led to significant increases in costs to varying degrees."

*Skolverket (Swedish National Agency for Education), "Independent Schools as Part of the System 1991-2004 -Summary report in English", 2006, pp. 24-25*

- The Conservative plan could create significant overcapacity in the system, as places would be created wherever a provider came forward, rather than where standards needed to improve or where there was a shortage of places.

## Three infantry battalions

### Summary

- The Conservatives have pledged to introduce three new infantry battalions.
- They have never produced a costing for this policy but an HM Treasury costing, which leaves out substantial factors such as equipment, found an initial cost of £778m followed by annual running costs of £105m.
- The Conservatives have not set out what specific tax increases or spending reductions would fund this policy.
- Since the Conservatives now say they want to hold a Strategic Defence Review before creating the three new battalions, this costing assumes that the new battalions would not be created until the second year of the Parliament at the earliest.

2010/11	2011/12	2012/13	2013/14	2014/15
-	<b>£778m</b>	<b>£105m</b>	<b>£105m</b>	<b>£105m</b>

### The Conservative Commitment

- Shadow Defence Secretary Liam Fox announced his policy of creating three new infantry battalions at the Conservative Party Conference in 2007.

"In the real world the only logical conclusion you can come to is that the army is already too small. Let me tell you that the Conservative Party will ensure that whenever the election comes the need for a bigger army, returning to proper, planned, establishment levels will be a key battleground. But if we are to deal with overstretch and the breaking of the harmony guidelines we will have to go further. We want to see the restoration of the three infantry battalions cut by Labour as soon as possible once we have seen the MoD's books and identified the savings to pay for them. A bigger Army for a safer Britain."

*Liam Fox, Shadow Secretary of State for Defence, Speech to Conservative Party Conference, 2 October 2007*

- In September 2009, Shadow Security Minister Pauline Neville-Jones stated it was "quite wrong" to say the Conservatives had dropped their plans for a larger army.

Pauline Neville-Jones: Bob you said earlier on and I just want to correct this if you don't mind, when you said we had dropped the idea that we might have a larger army, we have not dropped this idea. I am the person who made that recommendation to the party in the review that I conducted.

Bob Ainsworth: So it still stands?

Pauline Neville-Jones: It will go into the defence review and if it is justified we will do it. No, I mean you don't take decisions before you take a defence review but certainly if you have a defence review it is one of the issues so it is quite wrong to say we dropped it.

*Sun Armed Forces debate, Labour Party conference, 28 September 2009*

### Basis of Costing

- The cost of this policy was given in Parliament by then Defence Secretary Des Browne in December 2007.

"The hon. Gentleman's speech to the Conservative party conference suggested that the Army needed three further battalions. I do not believe that the Army needs that or that it thinks that it needs that. I accept that we need a balanced force structure in the Army, but that debate will not be helped by people seeking soundbites, particularly the sort that do not bring with them the commitment to invest the £700 million that would be necessary to make them reality."

Des Browne, Hansard, 3 December 2007, Column 568,  
<http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm071203/debtext/71203-0003.htm#0712034000946>

- Further details of the assumptions and methodology behind this costing were revealed in a Parliamentary written answer later in December 2007.

**Dr. Fox:** To ask the Secretary of State for Defence pursuant to the answer of 3 December 2007, Official Report, column 568, on armed services capacity, if he will place in the Library a copy of the assumptions and methodology used to estimate the cost of three infantry battalions at £700 million; and if he will make a statement.

**Mr. Bob Ainsworth:** While the costs of an infantry battalion are not generally held centrally (as these figures are extensive and spread over a wide variety of budgets), a set of general assumptions on which to base an illustrative costing of adding three infantry battalions has been developed.

These costings are dependent on the inter-relationship of a range of complex factors. Each of the assumptions that have been made is regarded as the most reasonable for indicative costing. Costs would break down broadly into two categories: the initial start-up and capital investment costs, and the annual running costs.

Changes to these assumptions (particularly on the unit role or accommodation requirements) could result in significant changes to the overall total.

The following assumptions informed the costing:

Three light role infantry battalions, based in the UK, not held at high readiness and consisting of 625 personnel per battalion;

Three new barracks (furnished and equipped to standard). It is assumed that there are no existing empty barracks that are fit for purpose in which to accommodate the battalions, and co-location on a single site is unlikely;

The requirement for new single living accommodation (furnished and equipped to standard) (400 SLAs per battalion);

The requirement for new service family accommodation (furnished and equipped to standard) (225 SFAs per battalion);

Build is on land currently owned by MOD (therefore, there is no cost assumed for any requirement to purchase land);

There are no appreciable costs to gain planning permission or prepare the sites and access to them;

That over the period of implementation, this will not materially change the totality of Defences demand for personal clothing and equipment;

There is no impact on the Equipment Customer Capability Programme in that existing and programmed equipments, vehicles and communication items are whole fleet managed;

Initial recruitment costs are based on a total of 2,802 enlistments required to generate a throughput of 1,875;

Basic and collective training costs(1);

Annual barrack running costs estimated at 10 per cent. of cost of new build;

Annual salary costs (pay, national insurance and pensions) based on salaries within a rank structure of a light role infantry battalion;

No additional cost is assumed for allowances such as operational, separation and education allowances;

No other running cost is assumed (e.g. annual recruitment and retention and other costs);

No depreciation and cost of capital charges are assumed;

Figures quoted are at 2007-08 prices.

Based on these assumptions, the following costs were derived:

	<i>£ million</i>
<i>Initial start-up costs (estimated)</i>	
Cost of new barracks (furnished and equipped to standard, including approximately 400 SLA per battalion) (£150 million x 3)	450
Cost of building additional 225 (x 3) SFA (estimated at £200,000 per SFA)	135
Recruitment costs (given a recruit pass rate of only 67 per cent., a total of 2,802 enlistments are required to generate a throughput of 1,875 (625 personnel per battalion) at a cost of £12,000 <sup>(2)</sup> per enlistment	34
Basic training costs (£29,000 per person)	54
Total	673

<i>Annual costs (estimated)</i>	
Annual barrack running costs (estimated at 10 per cent. of cost x 3)	45
Collective training costs (£1 million per battalion)	3
Annual salary costs (£19 million x 3)	57
Total	105
Overall total	778

<sup>(1)</sup> The battalions will conduct the following collective training (CT): CT levels 1 and 2—individual and sub unit training; CT level 3—unit level training—in this context it is assumed that the battalions will conduct exercises Druids Dance and Wessex Warrior. For the purposes of this exercise CT 4/5 training has been excluded (the all arms overseas training exercise in Kenya) on the assumption that there would be no increase in the incident of currently funded exercises; the key cost drivers are ammunition costs. T and S costs have been estimated as have clothing and textile costs based on usage for units in 1 (UK) Division. No account has been taken of longer separation allowance costs for training activities.

<sup>(2)</sup> Costs are calculated on a full cost basis and therefore contain an element of overhead as well as fixed and variable costs.

*Hansard, 17 December 2007, Columns 1032W-1034W,*

<http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm071217/text/71217w0026.htm#0712184000164>

- This information was released again on 16 September 2009 following a Freedom of Information Act request.
- In the costing above a number of potentially expensive factors have been excluded.
  - No additional cost is assumed for allowances such as operational, separation and education allowances.
  - No other running cost is assumed (e.g. annual recruitment and retention and other costs);
  - No depreciation and cost of capital charges are assumed.
  - Build is on land currently owned by MOD (therefore, there is no cost assumed for any requirement to purchase land).
  - There are no appreciable costs to gain planning permission or prepare the sites and access to them.
  - That over the period of implementation, this will not materially change the totality of Defences demand for personal clothing and equipment.
  - There is no impact on the Equipment Customer Capability Programme in that existing and programmed equipments, vehicles and communication items are whole fleet managed.

### **The Conservative response**

- The Conservatives made the following response to the HM Treasury costing.

“Labour are trying to misrepresent our position. Labour’s own dodgy dossier acknowledges that we have always said we need to look at the MOD’s accounts before proceeding with the ambition of increasing the size of the Army: ‘We want to see the restoration of the three infantry battalions cut by Labour as soon as possible once we have seen the MoD’s books and identified the savings to pay for them.’ (Liam Fox, Party Conference Speech, 2 October 2007 – quoted on page 103 of today’s document).

“We have committed ourselves to conducting a Strategic Defence Review, which would be initiated immediately after entering office. The review will consider the size and composition of the British Armed Forces alongside the strategic context and the capabilities we will need”

*Conservative Party press release, 4 January 2010, p. 11*

- This response does not question the HMT costing. It says that the Conservatives would initiate a Strategic Defence Review immediately after entering office, which would decide how to pay for the new battalions.

- The Financial Times has reported that the Conservatives want to complete a Strategic Defence Review within six months of taking office.

"Inside six months, Mr Fox wants to reshape his department, publish two green papers – on sovereign capabilities and small companies – settle a Whitehall-wide security and defence review, and secure adequate funding for its conclusions. And, of course, there is the war to run in Afghanistan.

"Considering the last SDR took 18 months, it is a daunting schedule. 'Acquisition reform will probably be a bit later, maybe when we're six months in,' he says, in a reluctant concession. 'It may be ambitious, but I would rather aim to be overambitious than to waste time.'"

*Financial Times, 19 March 2010*

- This document assumes that the new battalions are created in the second year of the next Parliament rather than the first, to allow time for a Strategic Defence Review to take place. This has no impact on the cost of the new battalions in the final year of the Parliament.

## More money for rehabilitation

### Summary

- The Conservatives have set out plans to increase spending on rehabilitation without a plan for how this would be funded.
- The Conservative Party's published figures have been used in the costing below.
- The Conservatives have not set out what specific tax increases or spending reductions would fund this policy.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£0</b>	<b>£13m</b>	<b>£41m</b>	<b>£97m</b>	<b>£183m</b>

### The Conservative Commitment

- The Conservative Party's March 2008 prisons policy document "Prisons with a Purpose" included a commitment to invest in rehabilitation programmes and to pay the providers of these programmes on the basis of targets.

"As our rehabilitation revolution is put in place, money that would, under Labour, be used to incarcerate and bring to trial ex-prisoners who have reoffended will be paid to providers of rehabilitation programmes. We calculate that the total amounts available for additional rehabilitation will rise to over £250 million a year by 2017 if Prison and Rehabilitation Trusts and private prisons succeed in achieving our target of a 20 per cent reduction in re-offending by that time. This would be equal to an additional £2,500 spent on rehabilitation for each prisoner discharged in that year."

*Conservative Party, "Prisons with a Purpose: Our Sentencing and Rehabilitation Revolution to Break the Cycle of Crime, Security Agenda Policy Green Paper No. 4", March 2008, p. 84*

### Basis of Costing

- These are the figures given by the Conservatives themselves in "Prisons with a Purpose".

"As our rehabilitation revolution is put in place, money that would, under Labour, be used to incarcerate and bring to trial ex-prisoners who have reoffended will be paid to providers of rehabilitation programmes. We calculate that the total amounts available for additional rehabilitation will rise to over £250 million a year by 2017 if Prison and Rehabilitation Trusts and private prisons succeed in achieving our target of a 20 per cent reduction in re-offending by that time. This would be equal to an additional £2,500 spent on rehabilitation for each prisoner discharged in that year.

"Using conservative assumptions, it is reasonable to assume that this will give providers an incentive to invest at least half of that amount of money up front in the two years before they receive their final payment."

Year end	2011	2012	2013	2014	2015	2016	2017
Investments made in rehabilitation programmes (£m)	13	41	70	100	130	146	148
Payments made to providers (£m) if targets are met	-	-	27	83	140	199	259

*Conservative Party, "Prisons with a Purpose: Our Sentencing and Rehabilitation Revolution to Break the Cycle of Crime, Security Agenda Policy Green Paper No. 4", March 2008, pp. 84-85*

### The Conservative response

- The Conservatives acknowledge that this is their own costing. However, they argue that the policy is cost neutral because it will reduce recidivism.

"Underpinning our commitment to funding rehabilitation is the associated decrease in recidivism rates. Whilst

Labour has accurately mirrored the costings of this policy, they have neglected to point out that the policy is cost neutral since preventing one ex-prisoner returning to jail for one year pays for the rehabilitation of 12 prisoners."

*Conservative Party press release, 4 January 2010, p. 12*

- It is certainly true that reoffending has an impact on the criminal justice system, but it is simplistic for the Conservatives to say that their policy is cost neutral just because stopping one offender reoffending for one year pays for the rehabilitation of 12 offenders. In fact, the picture is more complex. Reducing demands on the criminal justice system includes many other factors such as whether the police catch more criminals, whether conviction rates increase, and sentencing policy – none of which is affected by this Conservative proposal. Crime has fallen consistently since 1997 and reoffending rates are down since 2000, but more convictions have been secured and more offenders are in prison or on probation.
- In addition, the Conservative plan would only reduce the overall costs of the prison system if they reduced the number of prison places. While the Conservatives have dropped their policy of building 5,000 more prison places (see p. 19), they have not yet announced any plans to cut prison places.

## Shared equity scheme for social housing tenants

### Summary

- The Conservatives have promised to give many social housing tenants an equity stake in their home.
- They have never produced a costing for this policy but an HM Treasury costing found the annual costs below.
- The Conservatives have not set out what specific tax increases or spending reductions would fund this policy.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£299m</b>	<b>£299m</b>	<b>£299m</b>	<b>£299m</b>	<b>£299m</b>

### The Conservative Commitment

- Shadow Housing Minister Grant Shapps announced at the Conservative Party Conference in October 2007 that a future Conservative Government would give social housing tenants a 10% equity stake in their home at the time of leaving the social rented sector, in exchange for five years' good behaviour. This policy had been recommended by the Conservative Party's Public Services Policy Review.

"So today I can also announce that we will introduce new schemes to reward 5 years of good tenant behaviour with an equity share in their social housing."

*Grant Shapps, Shadow Housing Minister, speech to Conservative Party Conference, 1 October 2007*

Mr Shapps said he also wanted to adopt a policy recommendation made by the party's public services review, which suggested that tenants should be rewarded for good behaviour by being helped into homeownership. According to the recommendation, tenants would be given a 10 per cent equity stake in their home in exchange for five years' good behaviour.

'If tenants are good and pay their rent on time and contribute to their community they can build up a proportion of equity without buying it,' he said.

*Grant Shapps, Inside Housing, 22 February 2008*

"Proposal 19 – Social tenants should be given a 10% equity share in their social rented property when they leave the social rented sector, subject to having by that time acquired a record of five years good tenant behaviour."

*Conservative Public Services Improvement Group, "Restoring Pride in our Public Services – final report of the Public Services Policy Review", 4 September 2007, p. 146*

### Basis of Costing

- A Treasury costing of this policy was disclosed on 2 December 2009 following a Freedom of Information Act request. It reveals that the policy would cost £299m per year, based on the following methodology.

Housing policy is devolved so it is assumed that this policy applies to England only.

It is further assumed that social landlords are reimbursed in full for the value of the equity share given.

In the three years to 2005/06 the average number of moves out of the social rented sector to a different tenure (i.e. to the PRS or owner-occupied sector) was 98,400 (68,400 to become owner-occupiers and 30,000 to the PRS).[1] It is assumed that those who became owner-occupiers through the Right to Buy (approximately 48,700) would not have taken a 10% equity share instead. This leaves 49,700 potentially eligible households.

62% of households in social housing have been in these tenancies for 5 years or longer. It is assumed that those exiting social housing have the same distribution. This reduces the number of eligible households to

30,814. It is assumed that all of these households have exhibited good behaviour for at least the last 5 years.

A 10% equity share based on the market value of social housing properties sold in Q1 2007 would be worth around £9,700 (England average).

Average 30,814 eligible households a year each receiving £9,700 equity share = £299m per annum.

[1] This is households whose previous tenure was in the social sector and have now moved. We have excluded households who have moved within the social sector and households who have left the sector due to death. The data for RTB sales are actual sales figures. The data on other moves to the owner-occupied sector and moves to the PRS come from the Survey of English Housing; the sample size is very small so the figures should be treated with a degree of caution.

HM Treasury Costing, Released following a Freedom of Information Request, 2 December 2009,

[http://www.hm-treasury.gov.uk/d/foi\\_oppcostings2.pdf](http://www.hm-treasury.gov.uk/d/foi_oppcostings2.pdf)

## The Conservative response

- The Conservatives argue that this costing is “completely misguided”, as their policy “will cut costs by freeing up social housing”.

“Labour’s analysis of our policy is completely misguided. Our policy is designed to incentivise social tenants to move into the private housing sector, which will cut costs by freeing up social housing. For example, if the number of social tenants moving into private housing increases to 100,000 a year as a result of our policy, this will save taxpayers £2.9 billion.”

*Conservative Party press release, 4 January 2010, p. 12*

- The Conservative response does not give any basis for its implicit claim that the policy could lead to 100,000 social tenants a year moving into private housing. This claim seems implausible in the light of the HMT costing saying that fewer than a third of this number of social tenants would have been eligible for the Conservative scheme in the three years to 2005/06 – a point to which the Conservatives offer no response.
- The Conservative response fails to take into account the waiting list for social housing. If 100,000 social tenants did take advantage of the Conservative scheme then 100,000 new tenants would move off the waiting list into social housing. The only saving that this would therefore generate is from a reduction in Housing Benefit where people had moved from more expensive private rented accommodation into social housing with lower rents. This will not be true in all cases. Calculating any savings this would generate therefore requires detailed case-by-case data on the new social housing tenants’ Housing Benefit rates, and would need to be offset against the cost of providing a 10% equity stake in a new home for each departing tenant. The HMT costing above estimates that the average cost for a 10% equity stake is £9,700. This is likely to dwarf the average Housing Benefit saving from lower rents.
- If 100,000 social tenants did move out of social housing in one year, then the cost to the Exchequer of a 10% equity stake in their new homes, using the Q1 2007 figures in the Treasury costing, would be £970 million. The HMT costing has not been revised upwards, however, as the Conservative assumption that this would happen is implausible.

## More health visitors

### Summary

- The Conservatives originally promised to fund enough health visitors to guarantee parents a certain entitlements, such as a minimum number of home visits.
- The Conservatives claimed that this could be done with 4,200 health visitors, costing £200m.
- However, an HM Treasury costing found that more health visitors would be needed to implement the Conservative plans.
- The Conservatives now say that they are committed only to 4,200 health visitors, and no longer specify the nature of the guarantees these health visitors will deliver.
- The Conservatives also pledged additional health visitor training and a Child Health Inequalities Fund. The Conservatives costed these policies as set out below and their figures have been used for the purposes of this document.
- The Conservatives originally said that the policy would be funded by reducing the Sure Start outreach worker budget, but they overestimated the size of the available savings from this budget (see p. 105). They now say that they will fund their policy using both the Sure Start and the Department of Health budgets.

	2010/11	2011/12	2012/13	2013/14	2014/15
<i>Additional health visitors</i>	<b>£188m</b>	<b>£188m</b>	<b>£188m</b>	<b>£188m</b>	<b>£188m</b>
<i>Health visitor Training</i>	<b>£40m</b>	<b>£40m</b>	<b>£40m</b>	<b>£40m</b>	<b>£40m</b>
<i>Child Health Inequalities Fund</i>	<b>£10m</b>	<b>£10m</b>	<b>£10m</b>	<b>£10m</b>	<b>£10m</b>
<b>Total</b>	<b>£238m</b>	<b>£238m</b>	<b>£238m</b>	<b>£238m</b>	<b>£238m</b>

### The Conservative Commitment

- David Cameron announced at Conservative Spring Forum in March 2008 that a Conservative Government would provide an additional 4,200 health visitors.

*"That's why I'm announcing today that a Conservative Government will provide a universal health visiting service to all parents. We're going to radically increase the number of health visitors so that every family can count on the proper, professional support they need. Another 4,200 health visitors. With money set aside for proper training and extra help for families in the most deprived areas."*

*David Cameron, speech to Conservative Spring Forum, 15 March 2008*

- The Conservatives say that these health visitors will provide the following:

Therefore, by the end of the first Parliament, an incoming Conservative government will ensure:

1. a minimum guarantee of two visits in the home from their twentieth week of pregnancy until birth to advise parents on pregnancy nutrition, health, and preparation for child raising. These visits are supplementary to midwife coverage and will allow for better preparation for parenthood as well as enabling the health visitor to build up a relationship with the family from an early stage;
2. a minimum guarantee of six hours of health visitor support in the home for all families over the first two weeks of a child's life. It will be for the parents and the health visitors to agree on the best way in which this six-hour entitlement can best be used, given the particular circumstances and needs of the family;
3. a minimum guarantee of an hour every two weeks for all families for the next six months of a child's life. This will include group activities where necessary, such as well baby clinics and breastfeeding support;
4. a minimum guarantee of monthly visits, either in the home or in the health visitor's base, for all children between six months and one year to support parents in the critical transition to solid feeding, establishing good sleep patterns and coping as a family with a growing child. It will become increasingly important to

ensure good maternal health as mothers return to work;  
5. a minimum guarantee of at least two visits every year for every child under the age of five, either in the home or in the health visitor's base, to perform immunisations, hearing and vision tests, and developmental and growth checks. The health visitor will be able to advise on child nutrition and health as needed and prepare the child for the transition from home to school; and  
6. establishment of a £10 million per year Child Health Inequalities Fund to boost support for families in the most deprived areas.

This model will allow for a minimum guarantee of 23 hours of contact time between health visitors and children immediately before and during their first year of life – the level recommended by professionals within the health visiting service. This level of support will be available to all families. Health visitors and parents can agree how support is best delivered to meet a family's individual needs in those critical early years. This will be true universal coverage.

*Conservative Party, "Helping new families: Support in the early years through universal health visiting", March 2008*

## **Basis of Costing**

- The Conservatives estimated that this policy would cost £200 million per year.

### **Paying for the policy**

The cost of the policy is £200 million per year. This will be funded by:

- using £150 million of the £200 million per year, with which the Government are intending to pay for a new cadre of 'outreach' workers from Children's Centres, to hire, instead, 4,200 additional professional health visitors;
- using £40 million of the remaining £50 million a year to fund additional training for health visitors; and
- using the remaining £10 million a year to pay for our Child Health Inequalities Fund. This level of support will be available to all families. Health visitors and parents can agree how support is best delivered to meet a family's individual needs in those critical early years.

*Conservative Party, "Helping new families: Support in the early years through universal health visiting", March 2008*

- An HM Treasury costing of the policy, based on what is required to meet the policy commitments on universal health visiting described in the Conservative policy document "Helping new families" (quoted above), was released on 24 December 2009 following a Freedom of Information request.
- The Treasury costing assumes that the full commitment is reached in year 5, and that the number of health visitors builds in steady increments, beginning in 2011-12, allowing a first year of planning. The costing looks at two different ranges: under the first, the health visitors required to deliver the policy cost £685m per year once they have been fully recruited; under the second, they cost £390m per year once fully recruited.

Both ranges assume:

1) Health visitors spend the following length of time on clinical work:

1. 6 hours on visits in the first two weeks of child's life (guarantee 2)
2. 12 hours on visits in next 6 months of child's life (guarantee 3)
3. This leaves 5 hours of the 23 hours minimum contact time before birth and in the first year of child's life for the following 8 visits:
  - 2 visits before birth (guarantee 1)
  - 6 visits between child at 6 months and end of first year of child's life (guarantee 4)
4. 8 visits of 20 minutes (the current length of contact per visit) for every child between 1 and 5 (guarantee 5)

2) Health visitors spend 16% of their time on travel.

Range 1 assumes

- Health visitors spend 49% of their time on non-clinical work (as per "Unit Costs of Health and Social Care 2008", p. 103).

Range 2 assumes:

- Health visitors spend 30% of their time on non-clinical work.
- Range 1 calculates the need for 15,223 new Health Visitors to provide the guarantees. Breakdown for 15,223 new Health Visitors using current average salaries and benefits:
- Salary costs: £449m
  - Other costs: £235m
  - Total salary and benefit costs: £684m
- Range 2 calculates the need for 8,712 new Health Visitors to provide the guarantees. Breakdown for 8,712 new Health Visitors using current average salaries and benefits:
- Salary costs: £257m
  - Other costs: £134m
  - Total salary and benefit costs: £391m

*HM Treasury Costing, Released following a Freedom of Information Request, 24 December 2009, [http://www.hm-treasury.gov.uk/d/foi\\_oppcostings\\_health\\_visitors.pdf](http://www.hm-treasury.gov.uk/d/foi_oppcostings_health_visitors.pdf)*

- In the costing above, the less expensive “Scenario 2” was used.
- In addition, as part of their policy, the Conservatives have allocated £40m per year to health visitor training, and £10m per year to a Child Health Inequalities Fund. These have been added to the Treasury costing.

### **The Conservative response**

- The Conservatives responded to this costing by claiming that they had committed only to increasing the number of health visitors by 4,200. They did not attempt to respond to the claim that delivering the policy commitments they have promised would actually require more than twice as many health visitors.

“Labour’s attack is factually incorrect. Our pledge is to increase the number of health visitors by 4,200. We have costed this at £200 million – this works out at just under £48,000 per visitor. However the Treasury have assumed it costs £390 million to pay for 8,712 additional health visitors – this equates to under £45,000 per visitor. So on treasury figures our policy of delivering 4,200 additional health visitors is actually cheaper we expected – around £188 million.

“We will pay for our health visitor policy by diverting spending from the ‘outreach workers’ budget within the existing Sure Start budget and from the Department of Health budget, where we have pledged real increases.”

*Conservative Party press release, 4 January 2010, p. 12*

- The Conservatives’ new calculation that 4,200 health visitors would cost £188m is not, in fact, cheaper than they expected. The Conservatives originally allocated just £150m to paying for 4,200 health visitors – the rest of their calculated £200m total budget was taken up with £40m on additional training for health visitors, and £10m on a new Child Health Inequalities Fund. It is assumed that that they are still committed to these. That makes the total cost of the policy, on their own figures, £238m per year.
- The Conservatives have also changed their method of funding this policy. Previously, they said that the full costs could be met from the Sure Start outreach workers budget. Now, after it was pointed out that this budget was not big enough to pay for their commitment (see p. 105), the Conservatives say that the money will come from both Sure Start and the Department of Health.

### **Dropped commitments**

- In their draft manifesto, the Conservatives still say their new health visitors will give “all parents a guaranteed level of support before and after birth until their child starts school”.

However, they do not say what this guaranteed level of support is.

"Looking after young children can be hard work, and families need the best possible advice and support while their children are young. So, paid for by refocusing the outreach services in the Sure Start budget and from the Department of Health budget, where we have pledged real increases, we will provide 4,200 more Sure Start health visitors – giving all parents a guaranteed level of support before and after birth until their child starts school. This extra help will not only provide advice on the physical development of young children, but also support for the emotional health of the whole family – particular the relationships between parent and child and between parents themselves."

*Conservative Party, "Draft Manifesto 2010, Chapter Two, Mending our Broken Society", p. 15*

- The Conservatives can either provide 4,200 health visitors, or they can provide the guaranteed level of support they promised in 2008. They cannot do both. Given that the Conservatives are now clearer about the 4,200 health visitors than about the nature of the guarantees, it is assumed that they are committed to the number rather than the guarantees. The costings have consequently been revised: £188m per year on health visitors, £40m per year on training and £10m per year on a Child Health Inequalities Fund.

## Increase couple element of Working Tax Credit

### Summary

- The Conservatives have promised to increase Working Tax Credits for couples. They originally said this would cost £3 billion per year but a more up to date costing provided by HM Treasury in answer to a Parliamentary Question found it would now cost £3.1billion.
- The Conservatives have not said when this benefit change would be introduced so, following the methodology of this document, it has only been counted as coming into full operation by 2014/15, although indicative figures for earlier years are provided below in brackets.
- The Conservatives have said that this would be funded by moving more benefit claimants into work but have not set out realistic plans to save the necessary funds (see p. 95).
- The Conservatives have not challenged this revised costing.

2010/11	2011/12	2012/13	2013/14	2014/15
(£3,100m)	(£3,100m)	(£3,100m)	(£3,100m*)	<b>£3,100m*</b>
<i>*HM Treasury have not made estimates beyond 2012/13 so a flat projection has been assumed.</i>				

### The Conservative Commitment

- David Cameron has promised to increase the couple element of Working Tax Credit on a number of occasions since October 2007, including in his Hugo Young Memorial Lecture in November 2009

"Nicky, if you take the start of our conference the very first thing we announced was a policy towards the National Health Service of how we give people greater choice and how we empower General Practitioners to make sure they can get the rapid and good treatments for their patients, but the next thing we said was how we are going to help working families on tax credits who at the moment couples are completely penalised, it actually pays people to separate and live apart, and we say we're going to scrap that couple penalty by increasing the money we pay couples, £32 a week for 1.8 million of some of the poorest households in our country, and that would lift 300,000 children out of poverty."

*David Cameron, BBC Radio Five Live, 2 October 2007*

"We have set out plans to end the couple penalty in the tax credits system by increasing working tax credits for couples who stay together. As we end the couple penalty, there will be an immediate benefit - the poorest couples with children will gain, on average, £1500 a year, lifting up to 300,000 children out of poverty."

*David Cameron, Hugo Young Memorial Lecture, 10 November 2009*

### Basis of Costing

- The Conservative Party gave the cost of this change in Working Tax Credit as £3 billion per year.

"According to the Freud Report, moving someone off benefits and into work saves on average more than £5,000 a year in benefit payments, so to pay for the £3bn cost of ending the couple penalty our reforms would only need to reduce the benefit rolls by an additional 600,000."

*Time for Aspiration, Conservative Party Press Release, 1 October 2007*

- This costing is the same as that given by the Conservative Party's Social Justice Commission in its report in July 2007.

A reduction in the couple penalty by enhancing the couple element in Working Tax Credit such that all

couples receive the same ratio of support to lone parents as they currently get in Income Support (taking into account the additional adult). This would cost £3bn giving 1.8m couples with children £32.05 more, on average, per week. At present a couple receives the same level of WTC as a lone parent. This measure would contribute to stability (marriage is almost always preceded by cohabitation) and alleviate poverty (60% of families in poverty are headed by couples).

*Family Breakdown, Final Report of the Conservative Party Social Justice Commission, Executive Summary, 10 July 2007, p 11*

- A Treasury costing of this policy was disclosed on 2 December 2009 following a Freedom of Information Act request. This estimated the cost of the policy, on the assumption of an April 2008 start date, at £3.1bn per year – £100m per year more than the Conservative Party's estimate.

**Requested costing: "New element for couples in tax credits giving 1.8 million families £32 per week."**

Policy costed: Maximum Working Tax Credit (WTC) for all couples with children raised from £3,430 to £5,385 in 2007-08 (+57%); same percentage increase in maximum WTC for couples with children relative to projected base levels costed in 2009-10.

Policies costed in 2007-08 (current year) and 2009-10 following implementation of Budget 2007 reforms to personal taxation. Analysis for 2009-10 based on projected tax and benefit system parameters.

Policies analysed using microsimulation model of tax and benefit system, based Family Resources Survey sample of households for 2005-06 with nominal variables (e.g. earnings) uprated to analysis year. Results grossed to UK population totals. Results are subject to sampling variation.

All analysis assumes 100% take-up of benefits and tax credits; costings take no account of possible behavioural changes resulting from the change to the tax and benefit system.

*HM Treasury Costing, Released following a Freedom of Information Request, 2 December 2009,*

[http://www.hm-treasury.gov.uk/d/foi\\_oppcostings9.pdf](http://www.hm-treasury.gov.uk/d/foi_oppcostings9.pdf)

On the assumption of a start date of April 2008:

2008-08 [sic]	£3.1bn
2009-10	£3.1bn
2010-11	£3.1bn
2011-12	£3.1bn
2012-13	£3.1bn

*HM Treasury Costing, Released following a Freedom of Information Request, 2 December 2009,*

[http://www.hm-treasury.gov.uk/d/foi\\_oppcostings9.pdf](http://www.hm-treasury.gov.uk/d/foi_oppcostings9.pdf)

- The Conservatives have not been clear when in the Parliament this increase would be introduced. They have said that it would be a "first priority", although they have also said that it would have to wait for up to "twelve months" until welfare savings were achieved. If the Conservatives introduced the policy in their second Budget, it would cost £12.4 billion over the Parliament, while if they waited until their last Budget it would cost £3.1 billion.

Ed Stourton: You say you're going to use the money that you've saved from the programmes from getting people back into work. My understanding, I could be quite wrong about this, was that you said that that money would go towards helping married couples through the tax system?

Chris Grayling: That's right ...

Ed Stourton: Using it twice are you?

Chris Grayling: What I'm talking about in terms of paying for the cost of the programmes is that the first few months you're back in work, the money that's being saved in benefits is being used to pay the first instalment payments. Once you've been back in work for six, nine, twelve months, and the contract's over, that money can go straight back into the Treasury and that can be used to provide better support for people who are in work. We've never argued that solving poverty is just about getting people back into work. It's also about supporting people in low pay work. That money then becomes available to address for example, the couple penalty and the tax credit system which is our first priority and we're committed to trying to achieve that in government.

*BBC R4 Today, 8 January 2008*

### **The Conservative response**

- The Conservatives say that “In this instance, Labour have reflected accurately our projected costings” – although they do not mention the fact that HM Treasury’s revised estimate actually says that the policy costs £100m per year more than the Conservatives originally estimated. They do not challenge this revised figure.

“In this instance, Labour have reflected accurately our projected costings – £3 billion per year to increase Working Tax Credits for couples. We always said that we were committed to pay for this increase only as and when the savings come through from our radical programme of welfare reform, designed by Labour’s own former welfare adviser David Freud.”

*Conservative Party press release, 4 January 2010, p. 13*

### **Notes**

- The Conservative Party’s claimed welfare savings are discussed on p. 95. They do not deliver any additional savings that could be used to fund this change.

## Stabilisation and Reconstruction Force

### Summary

- The Conservatives have promised to introduce a new Stabilisation and Reconstruction Force.
- A shadow minister, Tobias Ellwood, has suggested that the cost of this force “is likely to exceed £500 million a year”.

2010/11	2011/12	2012/13	2013/14	2014/15
£500m	£500m	£500m	£500m	£500m

### The Conservative Commitment

- The Conservatives published their Green Paper on national security on 15 January 2010. This included a proposal for a new Stabilisation and Reconstruction Force.

“The experience of Iraq and Afghanistan is that we need to go even further in making sure that, as a country, we can contribute rapidly and in full measure to stabilisation operations – in the hours after the intense fighting stops, when the battle for hearts and minds must still be won, and when we have struggled to deliver reconstruction and development aid with the speed required.

“A Conservative government will create a Stabilisation and Reconstruction Force which will bring together the skills necessary to carry out vital stabilisation work.”

*Conservative Party, “A Resilient Nation: National Security – The Conservative Approach”, 15 January 2010, p. 7*

### Basis of Costing

- The Conservatives did not publish any estimate of the cost of this policy, but the *Times* said that shadow minister Tobias Ellwood had estimated that the cost “is likely to exceed £500 million a year”.

Money intended for international aid would be used by the Conservatives for a new military stabilisation force, angering charities who claim that it could put aid workers’ lives at risk.

Andrew Mitchell, the Shadow International Development Secretary, told *The Times* that the move would allow vital reconstruction work to take place in the “golden hours” after troops left an area as the force — based on a Territorial Army model — would do work too unsafe for aid agencies.

The cost of the force would be considerable, however. Tobias Ellwood, a shadow minister who has set out a blueprint for such a force, said that it could exceed £500 million a year. Bankers, electricians and bricklayers could all form part of the body, overseen by a National Security Council chaired by the Prime Minister.

Mr Mitchell insisted that the Department for International Development (DfID) would continue to pay an influential role in a Conservative government, despite a new policy document saying that it would have an “agreed agenda” with the Foreign Office. Until now, the departments have largely worked separately. Mr Ellwood, a shadow tourism minister who has spent time in Afghanistan and has close relations with senior US military figures, said advisers would become army members through a special course.

The cost of the new force would be considerable. “Two headquarters, two brigades, heavy with Royal Engineer units as well as the training and holding of an expanded TA is likely to exceed £500 million a year,” Mr Ellwood wrote in the Westminster Conservative Association magazine *Blueprint* last month. A regular infantry brigade costs around £100 million a year.

*Times*, 16 January 2010, <http://www.timesonline.co.uk/tol/news/politics/article6990381.ece>

## National Citizen Service

### Summary

- David Cameron suggested a national school leaver programme during his campaign for the Conservative Party leadership in 2005, and has repeated this commitment many times since then. More recently, he has referred to the programme as a National Citizen Service.
- The Conservatives have never presented a costed proposal for a National Citizen Service, but David Cameron's director of strategy, Steve Hilton, has endorsed an article quoting a Conservative source which costed the policy at £800m per year.

2010/11	2011/12	2012/13	2013/14	2014/15
<b>£800m</b>	<b>£800m</b>	<b>£800m</b>	<b>£800m</b>	<b>£800m</b>

### The Conservative Commitment

- David Cameron has repeatedly stated his commitment to introduce a national school leaver programme – starting before he was elected leader of the Conservative Party.

"That Conservatives can tackle the challenges of an increasingly atomised society by showing that personal responsibility is part of a shared responsibility: that we're all in this together. This points to exciting new policy directions, such as my proposal for a national school leaver programme involving schools, businesses, community organisations, charities and the armed forces – to prepare young people for their adult responsibilities and to create a greater sense of national cohesion."

*David Cameron, The Spectator, 1 October 2005*

- He has described this as a six-week programme, including a one-week residential course, four weeks of community service and a "week of challenge".

"Well my view is simply this is something we can't afford not to do, so I'm absolutely prepared to put the funding in, but let's get the order right. First we've got to design the programme so we've absolutely got it nailed down. We're saying today six weeks, starting with a week of residential course that's about personal development, then four weeks of community service, then this week of challenge. That's our view but we want to hear other people's views. Then we've got to work out how you roll it out. 650,000 16 year olds in our country, how quickly can we get all of them doing it. Once we've answered those questions then we'll have to put the figures on, we'll have to show the cost and we'll have to say how we're going to pay for it, but this to me is as important as the manifesto or any of the policy groups, this to me is absolutely central to what I want to do for and with this country, because I think, you know, young people are so essential for the future of our society, and inspiring them to want them to feel part of something. I think it's vital if we're going to solve all the problems we know we have."

*David Cameron, GMTV, 6 September 2007*

- More recently he has said that the programme, now called National Citizens' Service, would last three weeks.

"Our plan for National Citizens' Service will bring together sixteen year olds from across the country in a three-week programme where they can learn what it means to be socially responsible, to serve their community, and to get on and get along with people from different backgrounds.

"I hope it will help inspire social action and co-operation amongst a new generation of teenagers."

*David Cameron, Hugo Young Memorial Lecture, 10 November 2009*

- The policy, this time called National Citizen Service, is in the Conservatives' Draft Manifesto, but again without sufficient information to estimate the cost.

"Building the big society means encouraging service – the idea that everyone should play a part in helping

each other and making their communities stronger. That is why we will introduce a National Citizen Service. The initial flagship project will provide a programme for 16 year olds to give them a chance to develop the skills needed to be active and responsible citizens, mix with people from different backgrounds, and start getting involved in their communities.”

*Conservative Party, "Draft Manifesto 2010, Chapter Two: Mending our Broken Society", p. 18*

## **Basis of Costing**

- The Conservatives have never published a costing of this policy, or enough detail to enable a costing to be made. However, an article by John Rentoul in the *Independent on Sunday* in November 2009 quoted a source saying that it might cost the taxpayer £800m per year.

The important feature is the ambition to make the scheme universal. Not compulsory – although that has not been ruled out at a much later stage – but universal, so that it is available to and expected of all 600,000 16-year-olds in the country. This is a huge project, but much of the benefit comes from its universality: that is what would give young people a sense of shared citizenship. Yet it is the very ambition of universality that makes it such an un-Conservative policy. A national scheme could not be financed by the private sector alone; one source suggested it might cost the taxpayer £800m a year, which sounds like pie in the sky in the present fiscal climate. More than that, it is an attempt at social engineering on a vast scale; of a kind of which many Tories would normally be deeply suspicious.

*John Rentoul, "Like it or not, there it is. A Tory policy", Independent on Sunday, 22 November 2009,*

<http://www.independent.co.uk/opinion/commentators/john-rentoul/john-rentoul-like-it-or-not-there-it-is-a-tory-policy-1825377.html>

- John Rentoul's summary of the policy, which includes the £800m costing, was endorsed by the Conservative Party's director of strategy Steve Hilton in a strategy bulletin sent to Conservative MPs in December 2009 and later published by the *Financial Times*.

### **Strategy Bulletin No.5 (4th December)**

(Sorry for missing the last two weeks - I was away.)

This week: an update on our plans for National Citizen Service – some cool ways of harnessing the power of information – a really useful way of describing the post-bureaucratic age.

#### **1. National Citizen Service**

This is a fantastic, tangible example of our belief in social responsibility, not state control. Over the past few years, we have been working with leading figures in the community sector to develop our plans – and as well as developing our plans in theory, we have been putting them into practice with a number of pilot projects.

This recent article by John Rentoul in the *Independent on Sunday* is a really good summary of our commitment to this policy:

<http://www.independent.co.uk/opinion/commentators/john-rentoul/john-rentoul-like-it-or-not-there-it-is-a-tory-policy-1825377.html>

*Steve Hilton, Strategy Bulletin No.5, 4 December 2009, published by the FT.com Westminster blog, 5 January 2010, <http://blogs.ft.com/westminster/2010/01/the-steve-hilton-strategy-bulletins/>*

# Uncosted spending promises

These are firm Conservative Party policy promises which would require additional spending. However because the Conservatives have remained vague about key details, we have not provided a costing. In many cases these spending commitments are likely to be very large.



## Pupil Premium

### Summary

- The Conservatives have promised to introduce a national “pupil premium” to direct extra schools funding to the most deprived pupils.
- The Conservatives have said that no schools would lose funding to pay for this policy – something which the Institute for Fiscal Studies makes clear would mean considerable expense.

### The Conservative Commitment

- The Conservatives say they would find extra money from outside school budgets to provide a “premium” for the most deprived children. This would represent additional funding from outside the schools budget but have not made clear how much or where this additional funding would come from. They are also clear that no school would lose funding to pay for it.

“We can’t go on giving the poorest children the worst education, which is why we will introduce a pupil premium – weighting school funding towards children from disadvantaged backgrounds.”  
*Conservative Party, Draft Education Manifesto, 18 January 2010*

“The Conservatives have been absolutely clear that the pupil premium is extra funding for schools,” said a spokesman. “The funding will be found from outside the schools budget. Schools will not lose out because of it.”  
*BBC news online, 15 March 2010*

“Where you fix the additional amount is a very very tough political question and at the moment we’re working out exactly how we can ensure that that additional expenditure is there.”  
*Michael Gove, Economist.com, 26 March 2009*

But Mr Gove said: “In terms of funding the pupil premium it is our intention to ensure that we do not reduce classroom funding for any existing school.”  
*Michael Gove, The TES on 31 October, 2008*

- The Conservatives have been clear that their pupil premium is intended as an incentive for schools to open in areas with the most deprived pupils.

We want to ensure educational resources are targeted more effectively on those in need. And we want to create a dynamic by which schools are incentivised to take children from more challenging backgrounds and new providers are explicitly incentivised to locate in areas of greater disadvantage.  
*Michael Gove, Speech to the IPPR, 4 August 2008*

It is a direct incentive for new schools to locate, and expand, in the areas of greatest need. It means teachers in those areas can be better rewarded for the work they do.  
*Michael Gove, TES, 17 October 2008*

Q: What do you think about the question of paying schools more if they teach the hardest children to teach, so for example a pupil premium?  
Michael Gove: I think it’s an absolutely crucial element of reform that we prove that the people who are going to benefit the most are those who come from more disadvantaged backgrounds.  
*Economist.com interview, 26 March 2009*

- The IFS has made clear that this incentive would only work if the incentive was “very high”.

“Schools are unlikely to actively recruit more disadvantaged pupils as a result of the pupil premium: the

premium would need to be very high to sufficiently reduce the disincentive for schools to attract such pupils, and schools' ability to select pupils is also limited to some extent by the School Admissions Code."  
*Institute for Fiscal Studies, "Pupil Premium, Assessing the Options", 2 March 2010 Page 2*

## Notes

- Although the Conservatives have themselves not identified funding for this policy a number of organisations have looked at options to examine how much funding would be required.
- The IFS looked at three options for national funding models, some with £1bn of additional funding, but some without any additional funding. All of these options saw many schools losing significant proportions of their budget – hundreds of schools losing over 10% of their budgets.

"This scheme was progressive at both the primary and secondary levels; however, 10% of primary schools and 12% of secondaries experienced large losses (of 10% or more). We then attempted to model the policy proposed by Policy Exchange, with a MOSAIC premium and £1 billion of additional spending (option 3b). This policy was mostly progressive amongst primary schools, but led to losses amongst the most deprived secondary schools. Despite the additional spending, this option actually led to a greater number of primary and secondary schools experiencing large losses than under option 3a. The last option we considered allocated an FSM premium at primary level, with an FSM and low KS2 prior attainment premium at secondary schools. This reform was clearly progressive amongst primary schools, but actually led to the largest average gains amongst secondary schools with low to moderate levels of poverty. The addition of the low KS2 prior attainment premium seems to spread the gains from a pupil premium more widely. The proportion of secondary schools that experienced large losses was significantly reduced, but the number of primary schools experiencing similarly large losses was the same as under option 3a."

*Institute for Fiscal Studies, "Pupil Premium, Assessing the Options", 2 March 2010, p. 70*

- Policy Exchange published a report on school funding in October 2008, co-authored by Sam Freedman, who later moved to work for the Conservatives as an adviser to Michael Gove. This costed a pupil premium at £4.6 billion – of which £688 million was from outside existing school funding, funded by cutting ContactPoint and the Education Maintenance Allowance.

### Table 7

Cost of Pupil Premium £4.6 billion  
School Development Grant £1.84 billion  
School Standards Grant £1.17 billion  
Personalised Learning Grant £356 million  
Other Standards Fund Grants £426 million  
Education Maintenance Allowance £550 million  
National Challenge (annual) £133 million  
ContactPoint £100 million  
Total £4.6 billion

*Policy Exchange, "School Funding and Social Justice, A Guide to the Pupil Premium" by Sam Freedman and Simon Horner, 28 October 2008*

## New educational centres for excluded children

### Summary

- Shadow Home Secretary Chris Grayling announced in 2009 that the Conservative policy of letting parents, charities and other organisations to set up their own schools would allow the creation of “educational centres to deal with children who have been excluded”.
- Since the Conservatives plan to allow schools to retain the funding allocated to any pupils they exclude, this requires extra money – the money does not “follow the pupil”, as assumed by the rest of their schools policy.

### The Conservative Commitment

- Shadow Home Secretary Chris Grayling said in November 2009 that under Conservative education reforms, charities would be allowed to set up educational centres to deal with children who have been excluded.

Tory education reforms, which would smash the local authority monopoly on state schools, would open up the sector to charities with expertise at turning around troubled youngsters, Mr Grayling said. ‘I would like to see them setting up educational centres to deal with children who have been excluded,’ he said.

*Daily Mail, 17 November 2009*

- Under Conservative plans to allow schools to retain per-pupil funding for pupils they expel, expelled pupils would not carry funding with them into any new school or institution into which they were admitted.

“We will abolish the rules which impose a financial penalty on schools that expel children.”

*Conservative Party, “Giving Power Back to Teachers”, April 2008*

Evan Davis: You’re not... you’re not going to take money away from schools when they exclude pupils so you’re going to have less money to spend on the excluded.

Michael Gove: We don’t believe that it’s right that schools should be penalised for attempting to maintain good order, that’s absolutely right.

*BBC R4 Today, 7 April 2008*

- This means that the Conservatives would have to find additional funding to educate these pupils.

## Financial support for school merit systems

### Summary

- The Conservatives committed in 2007 to providing financial support for schools to introduce merit systems. They did not say how much financial support they would provide.

### The Conservative Commitment

- In their November 2007 education policy paper "Raising the Bar, Closing the Gap", the Conservatives pledged to provide "logistical and financial support" for schools introducing systems which award credits and debits to pupils on the basis of behaviour. The Conservatives did not say how much financial support they would provide.

"The weekly record of credits and debits could be shared with parents, so that families are given a regular update on their child's behavioural record. The accumulation of credits at the end of every term, off-set by the number of debits, might then be recognised with specific rewards, and students who fall below a certain level would face the loss of certain defined privileges. We would provide logistical and financial support for the establishment of systems within any school which wished to adopt this or similar schemes to inspire good behaviour."

*Conservative Party policy paper, "Raising the Bar, Closing the Gap, Opportunity Agenda Policy Green Paper No. 1", 20 November 2007*

## Increased funding for Ofsted

### Summary

- The Conservatives said in 2008 that they would increase Ofsted's funding. They did not say how much more funding they would provide.

### The Conservative Commitment

- In December 2008 Shadow Children, Schools and Families Secretary Michael Gove told the TES that he would provide Ofsted with additional resources to look at schools in greater depth and carry out its increased children's services responsibilities.

'Ofsted can expect a funding increase under a Conservative government to allow it to carry out less data-driven school inspections, it emerged this week. Michael Gove, shadow schools secretary, told The TES he thought the watchdog would need more resources to look at schools in greater depth and carry out its increased children's services responsibilities. "My inclination would be to provide Ofsted with those resources," he said. "One of the problems is that inspections have been too reliant on already published data."

*TES, 5 December 2008*

## More funding for elite teacher training

### Summary

- The Conservatives said in 2009 that they would increase funding for elite teacher training. They did not say how much more funding they would provide.

### The Conservative Commitment

- In June 2009 Shadow Children, Schools and Families Secretary Michael Gove said that a Conservative government would expand Teach First and pioneer a new Teach Next programme to encourage people to move into teaching after success in other professions.

"And in our efforts to ensure that more talented people join the already hugely impressive cohort of those currently in teaching, we would expand Teach First and pioneer a new Teach Next programme to help those who have already succeeded in one profession transfer their talents to teaching."

*Michael Gove, speech to the RSA, 30 June 2009*

- He repeated this commitment in October 2009, and also said that the Conservatives would fund an "incubator" to form new management teams for failing schools.

A Conservative government will pump more money into elite teacher training, shadow schools secretary Michael Gove said today.

Support for three organisations, Teach First, Teaching Leaders and Future Leaders, which recruit and train top teachers, would be "substantially increased", he said.

This would allow them to expand to all areas of England and branch out into primary schools.

Teach First recruits top graduates and trains them to teach in challenging secondary schools.

Teaching Leaders develops middle leaders, such as heads of departments, and Future Leaders aims to develop the next generation of school leaders to work in challenging schools.

Mr Gove said the Tories also plan to fund an "incubator" to allow graduates of these three programmes to work with chains of academies to form new management teams that can take over schools deemed to be "failing" by Ofsted.

They would also work with parents' groups to start new schools.

Mr Gove said: "Our support for these three brilliant programmes will train many more great teachers, especially in schools that have problems.

"It is also hugely encouraging that alumni of these three groups are eager to start new schools. The equivalent programme - Teach for America - has been crucial to the success of Charter schools in America, such as the 'Knowledge is Power' Schools that President Obama is supporting."

*PA, 22 October 2009*

"We will help secure the leadership these new schools need by providing funding for Teach First, Teaching Leaders, and Future Leaders to begin work on an "incubator". That incubator can work with established Academy chains to form new Academy management teams to take over schools identified as 'failing' by a revamped Ofsted, and also work with their own alumnae and parent groups on the foundation of new schools."

*Michael Gove, speech to Centre for Policy Studies, 6 November 2009*

## A school nurse for every school

### Summary

- The Conservatives have been committed since 2006 to ensuring that every school has a school nurse. They have not set out how much they think this would cost.

### The Conservative Commitment

- Shadow Health Secretary Andrew Lansley told the Conservative Party Conference in 2006 that a future Conservative Government would ensure that every school has a school nurse.

"We can ensure that every school has a school nurse, who supports a curriculum that incorporates healthy diet and lifestyle and provides advice on a one-to-one basis."

*Andrew Lansley, Speech to Conservative Party conference, 2 October 2006*

"And do we have enough school nurses? No we don't. The government said there would be a school nurse for every secondary school and its primary school catchment area. We don't have that. Government said it would happen, it hasn't happened, and measuring isn't good enough, and frankly parents wouldn't be told every day, and parents actually know this, they know the truth."

*Andrew Lansley, GMTV, 25 January 2007*

## Border Protection Service

### Summary

- The Conservatives have been committed since 2007 to establishing a dedicated border police force. The Conservative working group established to look into this policy published more detailed, but uncoded, plans for a Border Protection Service in 2008.

### The Conservative Commitment

- In February 2007 Conservative leader David Cameron announced plans to establish a dedicated border police service, which he indicated would have 10,000 staff.

David Cameron has unveiled plans to establish a dedicated border police service to strengthen controls designed to prevent drug dealers, people smugglers, illegal immigrants, gun importers and terrorists from entering and operating in the UK. And the Conservative Leader has appointed former Metropolitan Police Commissioner Lord Stevens to head up a special working group which will examine how best to implement the new 10,000 strong force.

*Conservative Party News Release, 26 February 2007*

- The working group reported in July 2008, and set out in more detail what the Conservatives' proposed Border Protection Service (BPS) would do.

It is proposed to create a new, integrated, uniformed BPS, with full executive control and responsibility for maintaining and enforcing border control and security measures mandated by parliament.

The BPS would be formed by amalgamating the relevant functions of elements of the main existing bodies involved with border control and security – the police service, BIA, HMRC and UKvisas.

The BPS would be a police service led by a chief constable, albeit with many wider ranging responsibilities than are traditionally associated with territorial police services. But this would ease issues of jurisdiction, delivery and coordination in the management of the threats posed by crime and terrorism. Similar challenges were encountered over the creation of SOCA.

*Conservative Party, Report of the Border Security Advisory Committee, "A Border Protection Service for the UK: Policy Proposals", July 2008, p. 10*

It is important that the BPS offers added capacity beyond the level of service provided under current border security arrangements. For instance, the BPS needs to be more visible to present a deterrent to criminals and terrorists and provide reassurance to the public, in addition to being used to the maximum effect in intelligence-led operations.

...

To meet these challenges it is vital to enhance the existing level of cover and the BPS would need to provide:

- 24/7 coverage at all major air and sea ports.
- A reliable presence and patrols of smaller ports and airstrips.
- Increased action on smuggling, trafficking and duty avoidance.
- Improved enforcement to deter illegal immigrants and deal with 'overstayers'.

*Conservative Party, Report of the Border Security Advisory Committee, "A Border Protection Service for the UK: Policy Proposals", July 2008, pp. 12-13*

- The Conservatives have not attempted to present their own costing of this proposal, but they say that "Substantial investment will be needed both initially and year on year".

Substantial investment will be needed both initially and year on year, to ensure that the BPS has the vital technology to ensure its effectiveness and efficiency in meeting existing and emerging threats.

*Conservative Party, Report of the Border Security Advisory Committee, "A Border Protection Service for the UK: Policy Proposals", July 2008, p. 5*

## Notes

- The Conservatives have indicated that this proposal, like their residential abstinence-based drug rehabilitation programmes (p. 164) and more prison places (now dropped – see p. 19) would be funded by scrapping ID cards.

"Why waste billions on ID cards when that money could be better spent on measures that will protect our security today: proper border controls, more resources for the security services, more police?"  
*David Cameron, Sunday Telegraph, February 12 2006*

- See p. 110 for potential savings from scrapping ID cards.

## Residential abstinence-based drug rehabilitation programmes

### Summary

- The Conservatives have been committed since 2008 to residential abstinence-based drug rehabilitation programmes. They have not published any costed proposals, but have indicated that they would make a new abstinence-based Drug Rehabilitation Order available to the courts, that residential rehabilitation programmes should last “at least six months”, and that they would be delivered by private and third sector organisations paid by results.
- The policy appears in the Conservatives’ Draft Society Manifesto.
- Former Shadow Home Secretary David Davis described the idea as “very expensive”. Shadow Chancellor George Osborne has indicated that additional funding for drug rehabilitation will come from the health budget, and David Cameron has suggested it will be paid for by scrapping ID cards.

### The Conservative Commitment

- The Conservatives have repeated their commitment to residential abstinence-based drug rehabilitation programmes on a number of occasions. In November 2008, David Cameron called for “a lot more residential rehab”, contrasting this approach favourably with community treatment programmes.

“I think that we need to recognise, particularly with drugs, I think what we need is a lot more residential rehab, not just drug addicts coming in off the streets being given a methadone script which is kind of a softer version of heroin and just being sent off to go and take that. I think what we need to do is address the underlying problem and residential rehab, where you really get to the bottom of someone’s drug problem, I think is more effective.”

*David Cameron, Q&A following speech to Conservative Women’s Conference, 10 November 2008*

- In their policy paper “Repair: Plan for Social Reform”, published in October 2008, they proposed creating an abstinence-based Drug Rehabilitation Order which the courts could use as an alternative to community sentences.

The UK currently has the highest level of problem drug use and the second highest level of drug-related deaths in Europe. Drug related crimes have increased, contributing to social breakdown. Labour have sought an approach of maintenance and management of drug addiction, rather than seeking to break the cycle of addiction. We need to solve not manage addiction. We propose:

- To introduce an abstinence-based Drug Rehabilitation Order to break the cycle of addiction and offending. The focus on abstinence is a fundamental distinction between Labour’s approach of maintenance and management, which has failed, and ours.
- Residential-abstinence oriented programs and, where appropriate, day-care programs will give the courts a serious rehabilitation alternative to failed community sentences, like the DTTOs, which fail to tackle addiction.

*Conservative Party, “Repair: Plan for Social Reform”, October 2008, p. 37*

- The policy appears in the Conservatives’ Draft Society Manifesto.

“Drug and alcohol addiction are behind many of the crimes that are committed on our streets, but the treatment that too many addicts receive just maintains their habits. We will give courts the power to use abstinence-based Drug Rehabilitation Orders to help offenders kick drugs once and for all.”

*Conservative Party, Draft Society Manifesto, 21 January 2010, p. 11*

- They have not given a cost for this proposal, but David Davis, when he was Shadow Home Secretary, indicated that residential rehabilitation programmes should last “at least six months”, and described them as “very expensive”.

“Shoplifting is driven massively by people trying to get money for drugs and the biggest single long term change in this is a very, very tough grip on the drugs policy, meaning people who have got a serious drugs problem have to go through a residential rehabilitation programme. It’s very expensive this idea ... but they have at least six months, with a decent chance to get them off it. That way you may just prevent them having a life of crime.”

*David Davis, then Shadow Home Secretary, BBC Radio 5 Live, 26 January 2007*

- The Conservative policy paper “Prisons with a Purpose” says that drug rehabilitation would be enforced by contracting with private and third sector organisations who would be paid by results.

“We will enforce Drug Rehabilitation Requirements by contracting with private and third sector organisations to operate the treatment programmes and paying them by results.”

*Conservative Party, “Prisons with a Purpose: Our Sentencing and Rehabilitation Revolution to Break the Cycle of Crime, Security Agenda, Policy Green paper No. 4”, March 2008, p. 14*

- Shadow Chancellor George Osborne has indicated that the funding for this would come from the health budget.

George Osborne: Yeah. I mean I think I’ll give you one example. I think there should be a great deal more effort on drug rehabilitation. I mean, obviously for people, drug dependency is a massive problem at the bottom of society, I mean when I say the bottom of society people on the lowest incomes, people in the greatest risk of social exclusion and there’s simply not adequate supply of drug rehabilitation...

Andrew Marr: You’d spend money on drug rehabilitation that’s not being spent now?

George Osborne: I think we would shift resources within the health budget, spending money on drug rehabilitation.

*Sunday AM, 3 December 2006*

- David Cameron has indicated that funding for drug rehabilitation would come from scrapping ID cards.

“On crime, we’ve said scrap ID cards and focus instead on drug rehab, building prisons and introducing a proper Border Police force.”

*David Cameron, Daily Telegraph Online Q&A, 11 September, 2007*

## Notes

- The Conservatives have indicated that this proposal, like their Border Protection Service (p. 162) and more prison places (now dropped – see p. 19) would be funded by scrapping ID cards. See p. 110 for potential savings from scrapping ID cards.

## Prison ships

### Summary

- The Conservatives have said that they are considering using prison ships to end the early release scheme. They have not given any further details of this policy.

### The Conservative Commitment

- PA reported in January 2010 that the Conservatives are considering using prison ships to end the early release scheme.

Asked about the prospect of prison ships, Conservative spokesman said today: "This proposal has not been included in our draft crime manifesto.

"But it is something we are considering as a way of ending Labour's early release scheme that has allowed 75,000 offenders to be released early from prison."

PA, 23 January 2010, <http://www.guardian.co.uk/uk/feedarticle/8912644>

- David Cameron confirmed that this was something he was considering. Eric Pickles refused to go into detail on the policy, but said that it had come before the shadow cabinet for approval.

Q: Can I just get clarification on the prison ships. Does that mean you are planning to do it some time? Is that what you're saying?

David Cameron: To end early release you need to clearly make available relatively rapidly extra prison capacity. The fastest way of doing that would be through prison ship but we will be setting our plans over the coming weeks but I've always believed that prison ships are a useful way of expanding capacity quickly and because I want to meet that pledge of ending early release I think I'm making the position pretty clear.

*David Cameron, Monthly Press Conference, 25 January 2010*

Andrew Neil: Did the idea of prison ships, did that come before the shadow cabinet for approval?

Eric Pickles: Yes of course

Andrew Neil: When?

Eric Pickles: I'm not taking you into our internal discussions, I mean come along you've put up a paper tiger, in order for me to demolish, most of that graphic was lovely and in this sort of post-Pugwash period I liked it a lot but it doesn't bear any relation to reality.

Andrew Neil: So can you tell us anything about your policy for prison ships.

Eric Pickles: We are about to make a certain announcement, we are going to do them in the way we want to do them, we'll be making a series of announcements this week and next week and the week after, it is called an election campaign.

*BBC The Daily Politics, 27 January 2010*

## Knife scanners

### Summary

- The Conservatives have announced that they would introduce mobile knife scanners on streets and public transport. They have not given any indication of the scale or cost of this policy.

### The Conservative Commitment

- The Conservatives' policy of introducing mobile knife scanners on streets and public transport was included in their draft manifesto.

"We will extend the length of custodial sentence that can be awarded in a Magistrates' Court from six to twelve months and introduce mobile knife scanners on streets and public transport, just as Mayor Boris Johnson is doing in London."

*Conservative Party, "Draft Manifesto 2010, Chapter Two: Mending our Broken Society", p. 8*

- They have given no indication of how much this would cost, or how it would be funded.

## All coal-fired power stations retro-fitted with CCS technology

### Summary

- In 2007, David Cameron promised that all existing coal-fired power stations would be retro-fitted with carbon capture and storage technology. He did not say what he thought this would cost.

### The Conservative Commitment

- In December 2007 David Cameron announced that under a Conservative Government, all existing coal-fired power stations would be retro-fitted with carbon capture and storage technology.

"I can announce today one important way in which the next Conservative Government will do just that. Both Britain and China have large reserves of coal. Yet, today, burning coal for electricity is a huge contributor to global warming. But we are on the brink of accessing a technology that could change all that. Carbon Capture and Storage. This could increase our energy security - and help tackle climate change at the same time. Right now, at least a dozen CCS pilots are ready to launch around the world. But even though we have the depleted oil and gas fields that are ideal for testing this technology, not a single pilot is yet taking place in Britain. We cannot afford this kind of delay. So I can announce that developing green coal will be a priority for a Conservative Government: we will do what it takes to make Britain a world leader in this crucial field. All existing coal-fired power stations should be retro-fitted with CCS, and all future coal-fired power stations should be built with CCS."

*David Cameron, Speech at Chongqing University, China, 20 December 2007*

## Business rate incentives for onshore wind farms

### Summary

- The Conservatives pledged in October 2009 to allow communities that choose to host onshore wind farms to keep all of the business rates they generate for six years. They did not say what they thought this would cost.

### The Conservative Commitment

- Shadow Energy Secretary Greg Clark announced at the Conservative Party Conference in October 2009 that a Conservative Government would allow communities that choose to host onshore wind farms to keep all of the business rates they generate for six years.

"We will allow communities that choose to host onshore wind farms to keep all of the business rates they generate for six years."

*Greg Clark, speech to Conservative Party Conference, 6 October 2009*

## More money for the British tourism industry

### Summary

- Shadow Tourism Minister Tobias Ellwood has called for more money to be put into the British tourism industry. He has not said how much more money he would like to see put in.

### The Conservative Commitment

- In March 2009 Shadow Tourism Minister Tobias Ellwood said that “we should be considering putting more money into our British tourism industry and, unfortunately, that is not happening”. He also said that a recent reduction in VisitBritain’s budget “must be wrong”.

“Every pound that is spent by VisitBritain abroad brings £36 of investment into the UK. I ask hon. Members to show me another Department that has that return on an investment—where one pays £1 and gets back £36. That would suggest that in these economically difficult times, particularly while exchange rates are what they are, we should be considering putting more money into our British tourism industry and, unfortunately, that is not happening. One would think that when we are about to host one of the most important sporting events in a generation, the Olympic games, we would take advantage of that fact and harness the marketing opportunities. However, the Government are not spending a single penny on marketing to take advantage of that once-in-a-lifetime opportunity. Surely that must change.”

*Tobias Ellwood, Hansard, 31 March 2009, Column 879, <http://www.parliament.the-stationery-office.co.uk/pa/cm200809/cmhansrd/cm090331/debtext/90331-0019.htm>*

“As I said, that is now changing, because the economy is working against people, so we should be harnessing those opportunities to ensure that tourism is one area that sees growth and that can help improve employment. We should be doing that rather than cutting the tourism budget, which is what the Government are doing. VisitBritain’s budget for the coming three years has been cut by 20 per cent. That must be wrong, given how much money it could make for the Treasury.”

*Tobias Ellwood, Hansard, 31 March 2009, Column 880, <http://www.parliament.the-stationery-office.co.uk/pa/cm200809/cmhansrd/cm090331/debtext/90331-0019.htm#09033171000070>*

## National school sports championships

### Summary

- The Conservatives suggested in 2008 that they would introduce national school sports championships in many sports. They did not say how much they thought this would cost.

### The Conservative Commitment

- Shadow Culture, Media and Sport Secretary Jeremy Hunt suggested in an interview with the *Daily Telegraph* in December 2008 that a future Conservative Government would introduce national school sports championships in many more sports.

Mr Hunt told the Daily Telegraph: "We all know how important competitive sport is in teaching children about values like discipline and picking yourself up when things go wrong.

"But the best way to make sure it really takes root in our schools is by tapping into the competitive instincts all schools have to do well against their rivals.

"At the moment school sport league tables are patchy at best – a more rigorous system would allow the return of national school sports championships in many more sports."

*Daily Telegraph, 25 December 2008*

## Move 25,000 troops back from Germany

### Summary

- The Conservatives have announced that they would move 25,000 troops back from Germany.
- The Conservatives have not said how much they expect this to cost, but senior military figures have described the proposal as “highly costly” and “very, very expensive”. A senior Whitehall official has been quoted as saying that it would cost “hundreds of millions of pounds”.

### The Conservative Commitment

- Liam Fox announced that a Conservative Government would move 25,000 troops back from Germany

The Shadow Defence Secretary told The Daily Telegraph that ending Britain’s 25,000 strong military presence on the Rhine would be part of a fundamental reorganisation of Nato forces designed to free troops for military operations outside Europe.

*Daily Telegraph, 20 November 2009*

He told The Daily Telegraph maintaining British Forces Germany was “now not necessary for what we need to do as a country”. He added: “If other countries are willing to take up roles in continental defence that leaves Britain and France able to take on expeditionary roles.

“Finding a more creative diplomatic solution in Nato will be a priority for an incoming Conservative government.

“Much as people regard it as a great political sport to be constantly berating our allies on what they do and don’t do in Afghanistan, it’s more important that we have more effective burden sharing so we can be freed up from some responsibilities.

“What is not possible is for Britain to try to do everything. It’s clear that things as they are cannot continue. We need some change.”

*Daily Telegraph, 20 November 2009*

- Former Defence chiefs have criticised the decision, highlighting the extra costs this would involve.

But commanders and Whitehall officials told The Independent that Dr Fox does not understand the deployment in Germany. They argue that bringing back the troops and their families, and then building accommodation for them, would be “highly costly” and would mean that funds needed for current projects would have to be diverted.

They stressed that far from being unavailable for military operations, the troops based in Germany have served in both Iraq and Afghanistan. The brigade which went into Basra in 2003 was from Germany, and two consecutive deployments in Helmand next year will also come from forces based there.

The commanders and officials also point out that Germany offers the space necessary for large-scale exercises which is not available in the UK, and that the arrival of such a large number of personnel would put massive pressure on existing facilities back home.

*The Independent, 8 February 2010*

“Liam Fox appears to think that the troops are in Germany for some operational reason. That is a fundamental misconception. In logistical terms it is just as easy keeping them there as it would be in Catterick. They can be deployed from there and they have the space to take part in exercises there.

“This is a bit of red herring. The capital costs of moving the personnel and their families back, the work needed to accommodate them, would be absolutely enormous and, I would have thought, very difficult to justify in the current economic climate. It is marginally more expensive to keep troops in Germany than here, but we are talking in marginal terms and the cost of transferring them all would far outweigh this.”

*General Sir Mike Jackson, the former head of the Army,*

“This is going to be very, very expensive in terms of capital costs alone and the last thing one wants is to put pressure on the facilities we have... This seems to be a rather strange time to propose this. Bringing the force back is desirable in the long term, but we are talking about in 10 years or so. What one does not want is

money which had been earmarked for carrying out much needed improvements on existing accommodation to be spent on new accommodation."

*Major General Julian Thompson, the former head of the Royal Marines, The Independent, 8 February 2010*

"A senior Whitehall official closely involved in planning military operations said: 'It will cost hundreds of millions of pounds to carry out what Dr Fox is suggesting. It can be done, but let's not pretend it will not be pretty costly.'"

*The Independent, 8 February 2010*

## Abolish Home Information Packs and compensate HIP providers

### Summary

- The Conservatives have been committed to abolishing Home Information Packs since 2007.
- They acknowledge that they may need to compensate HIP providers for the consequent loss of income, but they have not made any public estimate of what this would cost.

### The Conservative Commitment

- Shadow Housing Minister Grant Shapps told the Conservative Party Conference in October 2007 that a Conservative Government would abolish Home Information Packs.

"They didn't listen when we said that HIPS are clumsy, ineffective and useless. And they had to bypass democracy to force them through Parliament.

"The experts ridiculed them, the industry doesn't want them; the market doesn't need them; and I can announce to you today that the next Conservative Government - will scrap them!"

*Grant Shapps, speech to Conservative Party Conference, 1 October 2007*

- Shadow Minister for Communities and Local Government Robert Neill acknowledged that the government of the day would have to bear any commercial consequences of abandoning the scheme.

"My hon. Friend is right. The Government are culpable for the effect on the market—no amount of flannel gets around the destabilising effects—and for the position of those who bought a pig in a poke and took a commercial risk by setting up firms as HIPs providers. I regret the fact that the Government misled them, but that is what happened. If there is, regrettably, a commercial consequence to abandoning the scheme—which will doubtless happen in due course—the Government must shoulder the responsibility for leading them up the garden path. We will take no lectures on that from Labour Members."

*Robert Neill, Hansard, 10 October 2007, Column 402, <http://www.parliament.the-stationery-office.co.uk/pa/cm200607/cmhansrd/cm071010/debtext/71010-0020.htm#07101044001338>*

## Matching Council Tax funding for all new homes

### Summary

- The Conservatives pledged in October 2009 to give councils matching funding for Council Tax revenue received on all new homes for a period of six years, and 125 pence for every pound received in Council Tax for new social homes. They have not set out how much they think this would cost.

### The Conservative Commitment

- Shadow Housing Minister Grant Shapps promised in October 2009 that a Conservative Government would offer matching Council Tax funding for all new homes for six years, and 125 pence for every pound received in Council Tax from new social homes.

"So a future Conservative Government will match pound-for-pound the Council Tax revenue received on all new homes for a period of six years. And in order to help fix Labour's affordable housing crisis, we will guarantee 125 pence for every pound received in Council Tax from new social homes... again in addition to the money already collected. And if you just take a moment to think about what this means in cash terms, you'll see that it is a really big deal."

"Those 10,000 homes in my area would mean match funding of something like £100m."  
*Grant Shapps, speech on housebuilding, 27 October 2009*

## Central funding for councils to provide weekly rubbish collections

### Summary

- The Conservatives have been committed since 2008 to providing central funding for councils to provide weekly rubbish collections. They have not set out how much they think this would cost.

### The Conservative Commitment

- Eric Pickles, then Shadow Communities and Local Government Secretary, said in December 2008 that a Conservative government would provide central funding for councils to provide weekly rubbish collections.

"We reject Labour's approach of state bullying, cutting services and higher taxes. That is why we will provide funding for those councils that wish to introduce proper weekly rubbish collections, on top of comprehensive recycling services. We will make it easier for families to go green and increase recycling by working with households, not punishing them with heavy-handed bin taxes, bin cuts and bin fines. However, as someone who is a champion of localism, I of course respect that it is for Councils who are directly responsible to their electorate to make the choice about services they offer."

*Eric Pickles, Conservative Home Q&A, 23 December 2008*

"A Conservative government would change Whitehall policy so that there is an expectation that councils should offer full weekly collections, reversing the Labour policy. Central funding will be offered for all councils to provide a weekly collection of organic waste, as well as comprehensive recycling collections. This will be provided by scrapping a series of unelected quangos and local government bureaucracy. Councils, subject to the ballot box, will still have the final decision on what services to offer, but they will no longer be forced and bullied into cutting services because of Whitehall diktats. We want to hand power back to local communities. Cutbacks and stealth taxes do not have to be inevitable. If the Conservatives win power, the needs of local people will not be sidelined: they will be at the forefront of everything we do."

*Eric Pickles, Guardian.co.uk, Comment is free, 6 December 2008*

## Changing, showering and laundry facilities in NHS hospitals

### Summary

- The Conservatives have been committed since January 2007 to ensuring that NHS staff have access to changing, showering and laundry facilities in hospitals.
- They have not presented a costing for this policy, but Shadow Health Secretary Andrew Lansley says "I accept that that will not be cheap".

### The Conservative Commitment

- David Cameron said in January 2007 that NHS Trusts should be placed under an obligation to provide changing and laundry facilities for staff.

"We need to change the Code of Practice in the 2006 Health Act. The Code should ensure that NHS Trusts are under an obligation to provide changing and laundry facilities for staff."

*David Cameron, Speech to the Future of Nursing Conference, 24 January 2007*

- Andrew Lansley repeated this commitment and acknowledged that it "will not be cheap".

"The Leader of the Opposition has made it clear that we want the code of practice, which the Government put laboriously into legislation last year, to reflect the need for changing, showering and laundering facilities in hospitals. I accept that that will not be cheap, but it is not provided for in the code of practice, and the Government appear unable to commit to it. At the moment, the Royal College of Nursing tells us that half of nurses are not able to change at work, six out of 10 are not able to shower at work—we are all able to shower in Portcullis house, and nurses certainly need that facility at work—and six or seven out of 10 are not able to have uniforms laundered at work."

*Andrew Lansley, Hansard, 23 January 2007, Column 1299, <http://www.parliament.the-stationery-office.co.uk/pa/cm200607/cmhansrd/cm070123/debtext/70123-0006.htm#07012338000584>*

## Health premium

### Summary

- The Conservatives have announced a new policy of weighting public health budgets towards deprived areas through a “health premium”. They have not said how much this would be worth.

### The Conservative Commitment

- The Conservatives’ policy of introducing a “health premium” was included in their Draft Health Manifesto.

“Prevention is better than cure, so we will provide separate public health funding to local authorities, which will be accountable for – and paid according to – how successful they are in improving their local communities’ health. And, as a progressive government, we will weight public health funding so that extra resources go to the poorest areas with the worst health outcomes through a new ‘health premium’.”

*Conservative Party, Draft Health Manifesto, 4 January 2009, p. 9*

- The Conservatives have given no indication of how much this “health premium” would be worth, or how it would be funded.

## More money for the voluntary sector

### Summary

- The Conservatives have committed to give voluntary sector organisations more access to public funds. They have not said how much more government money they would allocate to the voluntary sector.

### The Conservative Commitment

- Conservative Party leader David Cameron has said repeatedly that voluntary bodies and charities should have more government money.

David Cameron: The Big Issue is a social enterprise; something that gets people off the streets, so let's find the voluntary bodies and the charities that are doing the great work, and give them more power and responsibility, and that's one policy.

Dermot Murnaghan: And more money?

David Cameron: Yes and more of the government's money, rather than the government spending it because it often does so badly.

*BBC Breakfast, 10 July 2006*

"In terms of what the Third Sector wants, charities, voluntary bodies, social enterprises can do I mean obviously at the moment they have access to public funds and I believe they should have even greater access to public funds."

*David Cameron, The Guardian Public Services Summit, 26 January 2007*

"But related to that, something we haven't had time perhaps to talk about today as much as I'd like something we haven't had time perhaps to talk about today as much as I'd like, is one of the big parts of Iain's (Duncan Smith) report, and I'll ask him to talk about it, is the work we want to do with voluntary bodies who are often the best at dealing with these problems. In terms of saying look, you should have long term contracts like the government gives itself. You should have greater trust and funding like the government gives itself. If you're going to deal with some of these very deep and often personal emotional problems you've got to trust the voluntary sector a lot more and recognise they often have the solutions rather than government."

*David Cameron, Q and A after speech in Manchester, 8 November 2007*

Jeremy Paxman: George Osborne hasn't got the national cheque book yet but he might be willing to give you some sort of blank promissory note, come on...

George Osborne: I think groups like Tony's [Dr Tony Sewell, Chief Executive of "Generating Genius"] are precisely the sorts of groups that should get more state funding, those social entrepreneurs, small groups like that, that are not large government bureaucracies, have a much greater track record of dealing with problems at the very bottom of society, than some of those big state bureaucracies do.

*George Osborne, BBC2 Newsnight, 13 February 2007*

## Tax credits for grandparents who look after children

### Summary

- David Cameron said in 2006 that grandparents who carry out childcare should be eligible for tax credits. He did not say how he thought this should work, or what he thought it would cost.
- The Conservatives say they are still "looking at ways" to make this happen.

### The Conservative Commitment

- Conservative Party leader David Cameron told Age Concern in October 2006 that tax credits ought to be available for grandparents who care for their grandchildren.

"It's worth thinking about those areas where, in a speech about the ageing of the population, that it's absolutely essential to address. Obviously we've got to look at pensions and pension benefits, I think we should say something about - that child care issue - it is counter-intuitive to talk about child care in a speech about grandparents but actually it's many of them who are doing the care, so the tax credits ought to be there for them."

*David Cameron, Discussion on speech to Age Concern, [www.webcameron.org.uk](http://www.webcameron.org.uk), 21 October 2006*

- In December 2009 David Willetts, Shadow spokesman on families, raised this policy again

In cases of relationship breakdown, Willetts proposes that fathers should be given access to tax credits if they are looking after the child more frequently than the mother, and grandparents should be automatically considered for placements if both parents are not deemed suitable to bring up the children. Grandparents should also be considered for access to the child following a divorce.

He said: "We do not think law custom or practice has kept up with the transformed role of grandparents."

*The Guardian, 22 December 2009*

- The proposal is mentioned, again without details, on the Conservative Party's website.

"We want to ensure a fairer deal for grandparents, and are looking at ways in which a Conservative government could make it easier for grandparents to receive tax credits and allowances when looking after their grandchildren."

*Conservative Party website, "Where we Stand: Pensions and Older People",*

[http://www.conservatives.com/Policy/Where\\_we\\_stand/Pensions\\_and\\_Older\\_People.aspx](http://www.conservatives.com/Policy/Where_we_stand/Pensions_and_Older_People.aspx)

