

# ANNUAL POLICY REVIEW

2014

Portland

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Overview	04
The Economy	06
Health	10
Energy	14
Foreign Affairs	18
Defence & National Security	22
Crime & Justice	26
Localism	30
Jobs & Welfare	34
Constitutional Reform	38
Equalities	42
Media	44
Education	48

# OVERVIEW

## James O'Shaughnessy

2014 began with a policy 'bang', with the Prime Minister using his first interview of the year to commit to continuing the triple-lock on increases in old age pensions in the next Parliament. This first salvo of what will be a policy-heavy battle was aimed at exactly the people - the over 55s - whose support for the Conservatives and electoral turnout is greatest.

The Conservatives' political strategy for the next 18 months is clear - pick issues where they believe Labour to be weak or out of touch and hammer home their attacks relentlessly.

It is significant that the Chancellor used his first intervention of the year to talk about the need for more cuts - the area where Labour is most vulnerable - and we will see further interventions on spending, welfare, immigration and Europe.

The Conservative part of the Coalition will seek to portray itself as the only political party capable of taking the

tough decisions that Britain needs to thrive, and hope that Labour's polling advantage on cost of living issues will erode as unemployment falls and wages begin to outstrip inflation. The Conservatives want to be, in their words, on the side of hard-working people. But to confound the durable impression, confirmed by Lord Ashcroft's research, that they are the party of the rich will involve radical policy shifts for the manifesto. Backing an increase in the minimum wage has had an impact, but the party will be looking to offer more in 2015, with a big move on house-building the most likely area of focus.

2014 is a huge year for the opposition party. Having had some significant successes in the last two years, the leadership is confident. Helped by the Liberal Democrats being in government and the rise of UKIP, Labour believe they have assembled enough of a 'coalition of the left' to unseat the Prime Minister and put Ed Miliband in No.10. The huge gap in voting intentions of, for example, teachers - among whom Labour lead by 41% over Conservatives, with the Lib Dems doing even worse - is reassuring but other polling concerns remain, especially on leadership and economic competence.

Labour are convinced that enough of the public are ready to consider 'varieties of capitalism', a concept floated by Miliband's key adviser Stewart Wood, and this year they will need to put policy flesh on the bones. The energy price freeze is fading in salience and popularity, and further concrete examples are needed of how a Labour government would help with the cost of living in an age of austerity.

The situation for the Liberal Democrats is, apparently, more bleak than at any other time during the last four years. Their polling figures show no sign of political recovery and they could well end up with no MEPs after the upcoming European elections. Yet they are quietly confident of retaining the majority of their Westminster seats and finding a permanent role in British politics as the great moderators.

As Sir Menzies Campbell has made clear, it is in the Lib Dems' interests to ensure the Coalition ends well and that the public would contemplate similar arrangements in the future.

So Nick Clegg will be perfectly happy that the newspapers continue to cover his attacks on "ideological" Conservative Cabinet colleagues, and he wants more credit for keeping the public services out of private hands.

This strategy of fiscal credibility with a caring face is where Clegg wants to position the party, and in particular he wants the Lib Dems to be seen as on the side of working parents.

So the battle lines for the election are pretty clear – the Conservatives positioning themselves as the doctor whose medicine is finally beginning to cure the patient but needs more time. Labour will place themselves on the side of ordinary people, making sure that the fruits of recovery are not enjoyed solely by the best off. And the Liberal Democrats as the voice of reason, ensuring the wilder instincts of the main parties are not given free rein.

The fly in the ointment is, of course, UKIP. To describe them as policy-lite is an understatement, but their power comes from what they are not: the Westminster elite. All parties now have to factor this strand of anti-politics into their calculations, as the increasingly strident positions on immigration of both the Conservatives and Labour show. With the European Elections only months away, UKIP could have a profound effect on politics and policy in the next 18 months. Or they might not – only time will tell.

#### **James is Portland's Chief Policy Adviser.**

Before joining Portland, he was Director of Policy for David Cameron for four years, 2007-2011.

He was responsible for drafting the Conservative Party's 2010 general election manifesto, co-authored the Coalition's Programme for Government, and played a leading role in managing the Coalition Government's policy programme during its first 18 months.

# THE ECONOMY

## Achieved

Reshaping of monetary policy under Mark Carney

Progress towards deficit reduction targets

Avoidance of double-dip recession and return to respectable growth

## More to Do

Work still needs to be done to finalise the delivery of major infrastructure projects

## Stalled / Dropped

The jury remains out on the success of LEPs and the Regional Growth Fund, designed to boost regional economies and small businesses

Simplification of the tax code has made little progress



# Ben Wright | Senior Account Manager

## The Unexpected

Office of Budget Responsibility revision of forecasts

## Dangers

Measures to boost growth fail, leaving the Government with little room to manoeuvre ahead of 2015

Monetary looseness leads to a housing bubble, higher inflation and negative growth in real incomes

Uncertainty engendered by Bank of England forward guidance and new criteria for interest rate policy

Additional Eurozone shocks



George Osborne is still some way from being able to predict with any real confidence the kind of tangible recovery which he hopes will carry the Conservatives into the next general election, but he can undoubtedly claim to have set the economic policy weather.

Framed against bailouts and imposed budgets in the Eurozone, the Chancellor has stuck firmly to his 'Plan A'.

Although he will fail to meet his initial target to eliminate the structural deficit by 2015-16, he will point to the tortuous delivery of an initial £12 billion in departmental spending cuts as hard evidence of the 'tough decisions' which have become the Coalition's credo.

Expert analysis has not always been kind. The IMF has accused the Chancellor of "playing with fire" by refusing to budge from his deficit reduction strategy during a sustained period of negligible growth which has given Ed Balls plenty of opportunities to perform his favourite 'flat lining' gesture from the Opposition front bench.

However, the Chancellor entered 2014 in bullish form with his critics seemingly in retreat, and even the IMF coming round to his strategy.

Mr Osborne used the 2013 Autumn Statement to claim credit for the return to growth, painting a picture of a healthier economy in the future, but also claiming only his policies could see that through. While he had missed his initial targets for deficit reduction, and economic growth remained a fairly modest 1.4%, all the signs seemed to be pointing in the right direction. Suddenly, the Chancellor's supporters were able to brandish his detractors' predictions of doom and point out how wrong they had all been.

The major policies for achieving this triumph remained in the hands of the Bank of England. New Governor Mark Carney has issued forward guidance designed to reassure the markets that cheap money will be available for some time to come, with decisions on future interest rates taken in light of unemployment data as well as inflation.

This guidance already appears to be under strain: unemployment is already coming close to the 7% threshold with inflation still ahead of target, but an interest rate rise remains politically very difficult. The Bank may have to interpret its own guidance with some flexibility and will certainly have to consider carefully its next long term statement of intent.



In terms of fiscal policy, austerity has become more or less a permanent state, and any belief in using government spending to stimulate growth is limited to infrastructure projects. The one major exception to this is the help to buy scheme, which has seen a healthy take-up, initially supporting new-build sales.

Whether this scheme injects more inflation into the housing market is another question. And it is in this gap between rising prices and stagnating wages that Labour will be directing all its firepower in the next year and a half. To win the argument, the Chancellor will have to ensure the personal feel of the economy is good, not just the headline figures.



# HEALTH

## Achieved

Cap on the cost of social care at £75,000

Creation of NHS England and Clinical Commissioning Groups

Devolution of public health to local authorities

## More to Do

Making the case for NHS reforms and regaining the trust of the medical profession

Providing more care in community settings to ease hospital pressures

Implementing Francis recommendations

A 7-day service

## Stalled / Dropped

Greater role for independent sector providers



# Katie Russell | Senior Account Manager

## The Unexpected

A&E waiting times crisis

CQC in turmoil after Mid-Staffs and other high profile failings

Resignation of Sir David Nicholson

Ongoing concern about NHS 111 phone line

Immigrant / "health tourist" use of the NHS

## Dangers

Failure to deliver the efficiency savings needed to ensure a barely growing real terms health budget keeps up with demand

Continued public spats with the medical profession

Lack of public acceptance that some hospitals or services may need to close



As a reward for successful stewardship of the Olympics, former DCMS Secretary Jeremy Hunt was promoted to the health brief in September 2012. One of the hardest jobs in British politics, the chalice was poisoned further by the controversial NHS reforms introduced by Andrew Lansley, himself a veteran in the health portfolio of almost eight years.

By the time Mr Hunt took over, Mr Lansley was struggling to maintain support among the wider healthcare community, and a new face was seen as essential.

Mr Hunt's major accomplishment has been to bring forward a Care Bill that will cap the cost of social care for older people at £75,000. While this is considerably less generous than the £35,000 cap recommended by Andrew Dilnot's report for Government on adult care costs, it still represents a significant step forward in a thorny area where many politicians have failed before.

Mr Hunt has also made progress in providing patients with more information about the people treating them, with moves to publish surgeons' survival rates and to introduce Ofsted-style inspections for GPs.

But his "to do" list is far longer. A&E services are said to have reached crisis, following a number of contentious attempts to rationalise / close emergency units, and the introduction of the out-of-hours

telephone helpline service, 111, has been less than smooth.

In mitigation, Hunt has tried to pin the blame on the GP contract negotiated by Labour in 2004, which controversially enabled GPs to opt out of providing out-of-hours care, but these claims have been met with predictable anger by the medical profession.

At the end of 2013 Sir Bruce Keogh announced "radical" weekend working plans, leaving hospitals contractually bound to deliver a full service, seven days a week. Implementation of these plans across the NHS, including pilots in primary care, is likely to dominate the 2014 health agenda.

Achieving sizeable cost savings remains a top priority for the NHS. The outgoing Chief Executive at NHS England, Sir David Nicholson, has made it clear that his original ambition to find £20bn worth of savings by 2015 did not go far enough. Now the NHS must save an additional £30bn by 2020/21.



In this tough fiscal context the recently announced heads of agreement for the 2014 Pharmaceutical Price Regulation Scheme (PPRS) included an unprecedented commitment to keep NHS expenditure on branded medicines flat for two years, with industry underwriting any further expenditure by the NHS within agreed boundaries.

## Value Based Assessment (VBA) proposals continue to weigh heavy on the Department, NICE and industry.

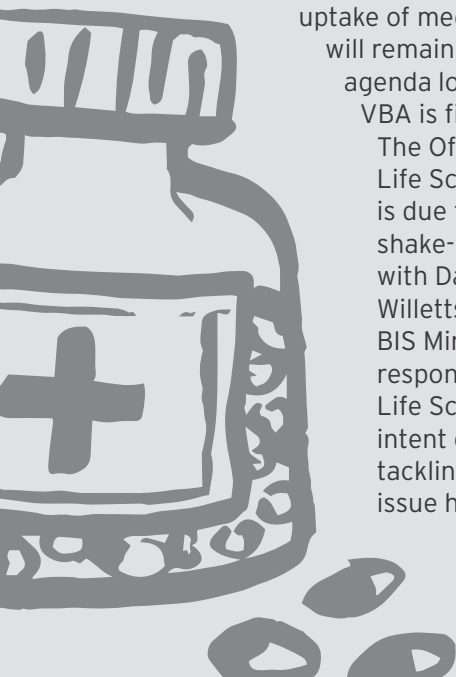
A consultation is set to run through 2014, but it is broadly accepted that Lansley's original, ground-breaking proposals for a new way of interpreting the value of medicines are now reduced to mere tinkering around the edges.

Issues of access and uptake of medicines will remain on the agenda long after VBA is finalised.

The Office of Life Sciences is due for a shake-up, with David Willetts, the BIS Minister responsible for Life Sciences, intent on tackling the issue head on.

The passing of the NHS reforms and the early stages of implementation only represent the tip of the iceberg. The real challenge for Mr Hunt starts now, with pressures on the NHS set only to rise with increasing levels of frailty, rising incidence of chronic conditions, and the dementia challenge ever present. Talk of new models of integrated care and whole system transformation will dominate the conversation in 2014, and as of April all eyes will be on NHS England's new Chief Executive, Simon Stevens, a former Labour adviser and one of the world's leading healthcare reformers.

Going into the election, the NHS will be one of the key battlegrounds. Having promised no top-down reorganisations and then delivered one, the Conservatives will be desperate to convince voters the NHS is safe in their hands. Labour holds a significant polling lead in this area, and while the Shadow Health Secretary is hidebound by both his own record in office and his predictions of NHS collapse, he hopes to go into the election with a popular policy reform: the long wished-for integration of health and social care.



# ENERGY

## Achieved

The Energy Bill received Royal Assent in December 2013

Agreement announced for new investment in nuclear generation at Hinkley

The Government has provided funding of £3 billion to the UK Green Investment Bank to help support sustainable projects in the UK

## More to Do

Deciding way forward on green subsidies

Convincing the public and certain spheres of media and politics on potential of shale gas.



# Simon Tiernan | Senior Account Manager

## The Unexpected

Extra say for communities over siting of onshore wind farms

Shift of policy on 'green taxes'

Successful Labour attack on energy prices

Winter storms and power outages over Christmas

Public protests in Balcombe around shale drilling

## Dangers

Government's recent announcement on green levies has placed increased expectations on suppliers to reduce energy prices for consumers

Rising cost factors continue to drive up energy prices despite Government action



The February resignation of Chris Huhne saw Ed Davey move from his role in BIS to become Secretary of State for Energy and Climate Change. Mr Davey is a known environmentalist and lists environmental causes as the key reason for coming into politics.

One of Davey's biggest challenges has been the passage of the Energy Bill through Parliament. The Energy Bill received criticism from a cross-section of MPs – Energy and Climate Change Select Committee member Barry Gardiner commented that the failure to introduce a decarbonisation target was a broken pledge: “all pretence of meeting our carbon budgets and emission targets will be abandoned.”

This apparent failure of Mr Davey to stand up for Liberal Democrat principles will dismay environmentalists in the party grass roots. The Secretary of State has certainly had to take hard decisions: for instance the announcement that onshore wind farms should include greater consultation from developers with the local communities in which they are proposed. This is seen by the green lobby as a sop to Conservative MPs, who themselves are concerned about the creation of wind farms in their constituencies.

Above all, the major challenge the Government has faced is security of supply for the future, with an ageing generating infrastructure and uncertain trends in oil and gas production.

Recognising the changing nature of traditional oil and gas supplies, the Government asked Sir Ian Wood to look at how to harness the industry's future. The Wood Review, commissioned in 2013, has already issued interim recommendations that a new oil regulator be set up to oversee the next phase of exploration in the North Sea, with the aim of ensuring greater coordination between competing companies.

The deal to inject private funds to develop new nuclear capacity at Hinkley Point C, with a guaranteed high price for the electricity, was welcomed by just about everyone except fervent anti-nuclear campaigners, albeit with certain reservations about the long-term costs.

Recognising the future may lie in more innovative sources of energy, the Prime Minister and Chancellor, both advocates of shale gas, have announced a



series of tax breaks and sweeteners for local authorities in areas where fracking might take place. Some MPs remain cautious given the local opposition they will face - particularly in the run up to an election - and the environmental lobby remains vehemently opposed.

Despite the deep concern about the UK's energy security, the statement which most made the political weather was the dramatic energy freeze policy announced by Ed Miliband at the Labour Party conference. This tapped into the feeling that people generally get a raw deal from the 'big six', a feeling probably enhanced in households who spent Christmas without any power. The Coalition's reaction at first concentrated on the inadvisability of trying to fix prices, but ministers soon seemed to realise that something in the public mood needed addressing. Their response, somewhat counter-intuitively, was to shift green subsidies out of energy bills into

general taxation. Whether this has shot the Labour fox remains to be seen.

With Labour keeping up the attack, the status quo in the energy supply market is not politically sustainable. Despite the nervous investment climate, all the parties are having to contemplate structural reform of the market. Whether any of that becomes Coalition policy before the election probably depends on whether competing Lib Dem and Tory instincts can be accommodated.



# FOREIGN AFFAIRS

## Achieved

Successful intervention in Libya

Commitment on an EU referendum in 2017

Sustaining 0.7% aid budget

Agreement with Iran over nuclear development

Agreement with Syria over the removal of chemical weapons

## More to Do

Pushing for more commercial diplomacy

Cross border cooperation on tax avoidance

Longer term nuclear agreement required with Iran



# Harry Watson | Account Manager

## Stalled / Dropped

Failure to get Parliamentary support to intervene in Syria

0.7% aid budget dropped from the Queen Speech

## The Unexpected

The election of a liberal reformist and the potential of a nuclear Iran

Tensions with Argentina over the Falklands

## Dangers

Syria

Iran

EU referendum

Afghanistan withdrawal leading to further instability



The Coalition's foreign policy has had to adjust to the Arab Spring and the uncertain period it ushered in. This adjustment has been most stark in Syria, which has generated major geo-political debate since the first uprising against Assad in 2011. Continuing danger in the region, including the use of chemical weapons and the recent suspicious death of British doctor Abbas Khan, points the way to further difficulties.

With the Government's successful intervention in Libya and the EU Foreign Minister lifting the arms embargo against Syria, there was speculation that the UK could be dragged into a fresh military conflict, in which the supply of arms to the Assad opposition was merely a first step. However, this proved a step too far for the British Parliament, which refused to support further action. The complexity of the situation on the ground in Syria made the case for intervention one that was far from clear-cut, with the Coalition concerned about certain factions of the opposition fighters, their motives elsewhere, and ambitions.

Following the appointment of the reformist President Dr Haasan Rouhani in Iran, the UK helped achieve significant progress on the nuclear issue, with the landmark agreement made in November 2013 whereby Iran agreed to curb some of its nuclear activities for six months in return for some sanctions relief. While this was a significant step it is only a short term

agreement and securing long term peace and security in the region looks set to remain high on the agenda.

All of this traditional deployment of force and diplomacy, however, has not been the limit of the Government's foreign policy objectives. The Coalition has pursued two other agendas abroad, meeting with success and controversy in each case.

The pledge to keep up a level of spending on foreign aid amounting to 0.7% of GDP - controversial with many on the Conservative backbenches - has been maintained although not enshrined in statute as suggested by the Coalition agreement. Addressing some of the disquiet about where the money goes, the Government has undertaken a full review of UK aid policy, which has resulted in aid being stopped to 16 countries.

With the Government's growth agenda remaining front and centre, the focus on using foreign policy to promote trade and attract inward investment has continued.

The Government has significantly expanded the UK's diplomatic corps, with an emphasis on emerging markets, as well as a focus on the



special relationship with India, and strengthening ties with China. However the intermingling of economic and diplomatic goals has not been without its issues, with Cameron's trips to the Middle East and India coming in for criticism.

The Government does claim successes in this new model for foreign policy: the Prime Minister's recent visit to China secured £6bn in trade deals, and the Chancellor's preceding visit resulted in London being established as first centre for trading Chinese currency outside of China. In addition the Government have claimed victories with a £4.4bn Airbus contract with the Philippines and for securing a new deal for a Jaguar Land Rover plant in Liverpool.

One issue that could never quite be put to bed is the EU. David Cameron had previously warned his Party not to be "banging on about Europe" while voters concerned themselves with other issues, but the rise of UKIP forced his hand and he has promised that the electorate will "have their say" on Europe in 2017, following negotiations about repatriating powers. This issue will be an on-going point of tension in the Party, especially with the likelihood that UKIP will make major gains in the upcoming European election. Already, cracks are showing - 116 Conservative MPs voted against the Queen's Speech, backing an amendment expressing regret that a referendum bill was not included as part of the Coalition's programme. The Prime Minister will hope Europe does not become a defining issue at the next general election.



# DEFENCE & NATION

## Achieved

Balanced budget

Continued progress on capital projects

Afghanistan: significant troop withdrawals, and end of NATO combat mission this year

## More to Do

Trident replacement programme

See the Defence Reform Bill pass through Parliament / fully develop DE&S+ procurement model

## Stalled / Dropped

Communications Data Bill

Privatised defence procurement model



# AL SECURITY

Fred Stephens | Senior Account Manager

## The Unexpected

Terrorism/Woolwich attacks

Edward Snowden leaks

## Dangers

Long term effects of defence procurement reform remain unclear

Will it be possible to recruit enough Army Reservists to fill the gaps left by reductions in troop numbers?

Defence spending - how far will Hammond go to defend spending levels?

More Civilian job cuts



Defence Secretary Philip Hammond's main achievement, and the one that many speculated would be his main challenge when he was appointed, has been to build on the work of his predecessor Dr Liam Fox and exert greater control on MoD spending.

In the main, Mr Hammond has been able to boast of his success in this endeavour, although not without the occasional setback such as the revisions to the price for the Queen Elizabeth class aircraft carriers.

However, it is the UK's next major capital defence project, the successor to the Vanguard SSBN submarines, which occupied much of the political attention in 2013. The publication of the long-awaited Trident Alternatives Review was not the game-changing intervention the Liberal Democrats may have hoped. While Labour has not fully committed to a like-for-like replacement for the current system, the Lib Dems are still the only party calling for a continuous at-sea deterrent to be dropped. The final decision on Trident renewal will be

taken in 2016, but the programme's future looks less uncertain than it did a year ago.

One embarrassment for the Government, though, has been its failure fully to realise plans to reform defence procurement. The Defence Reform Bill is still making its way through the legislative process. But plans to privatise the organisation responsible for procurement have had to be dropped, after all but one of the private sector consortia bidding for the contract dropped out. Instead, the existing Defence Equipment & Support organisation will be beefed-up to ensure it is, in Hammond's words, "match-fit"; what this looks like in practice remains to be seen.





The most high-profile developments in national security policy over the past year came not from government action but from the whistleblower Edward Snowden.

The revelations about the activities of the NSA and the UK's own GCHQ have had two important consequences.

First, the structures in place to scrutinise the activities of the security agencies are now being openly questioned. Second, the public and political interest in privacy and communications data has been significantly broadened.

Before it was blocked by the Lib Dems earlier in the year the Draft Communications Data Bill was already controversial, but if it were ever to be revived (as law enforcement agencies continue to call for) we can now expect it to be couched in a much broader debate about the balance between security and personal privacy.

# CRIME & JUSTICE

## Achieved

Extradition of Abu Qatada

Introduction of PCCs

Windsor reforms to police pay and conditions

## More to Do

Make PCCs a success

See through police and justice system reforms.

## Stalled / Dropped

UK Bill of Rights

Communications Data Bill



# Alex Burrell | Account Manager

## The Unexpected

Renewed terrorism threat

Votes for prisoners

## Dangers

Entrenched opposition to legal aid cuts from the legal professions

Cuts to budget – police pay / security

Plebgate



Crime and justice has continued to be a policy area in which the two Coalition parties' political instincts clash. Traditional Conservative responses to crime and terrorism in the form of greater police powers and tougher sentences have rubbed up awkwardly against Liberal Democrat concerns for civil liberties.

The murder in Woolwich was a reminder that the threats to the public are real, and the Government has continued its strategy of neutralising the terrorist threat where it can. A milestone in this journey was the extradition of Abu Qatada in July last year after a series of frustrating legal delays. More contentious was the detention of David Miranda – partner of Guardian journalist Glenn Greenwald – at Heathrow for possession of classified documents.

All of this has of course taken place against a backdrop of budget cuts, affecting both policing and the justice system. Police forces in England and Wales will endure a 20% reduction in funds over three years, while the

justice system agreed in May to another 10% reduction in budget in 2015-16.

In both cases, Home Secretary Theresa May and Justice Secretary Chris Grayling have stressed the need for reform and the importance of protecting the most important front line delivery. But inevitably, the quest for savings has led to tension with the professionals charged with delivery.

The Government's legal aid reforms have seen strong opposition within the legal professions (culminating in the first ever strike by the criminal bar), while the Police Federation has issued warnings about the effects on front line policing of squeezed budgets.

Indeed, the relationship between politicians and police has threatened to be extremely problematic for the Government, and one which became poisoned in the aftermath to the 'plebgate' controversy. The police handling of an altercation with Chief Whip Andrew Mitchell saw even natural political allies reluctant to back them publicly.

This was a good example of how despite grand strategies and long term reforms, one-off events can make a huge impact. More than any just about any other policy brief, crime and justice is prone to unexpected crises and mishaps which leave politicians in trouble. Steering clear of any such unwelcome surprises will be the main preoccupation of ministers between now and May 2015.

# CRIME AND JUSTICE



# LOCALISM

## Achieved

Successfully navigated the Growth and Infrastructure Act through Parliament

Introduced changes to the system of permitted development rights

PCCs introduced (albeit with weak mandates due to the universally low voter turnout)

## More to Do

Although there is evidence that schemes such as Help to Buy are boosting construction, there is still pressure on the government to boost house building

Implementing planning changes to improve mobile coverage and the roll out of 4G services across the UK

## Stalled / Dropped

Proposed changes to make it easier for homeowners to build extensions were significantly watered down following a Commons revolt

Further planning reform looks increasingly unlikely this side of the general election



# Joanna McGowan | Researcher

## The Unexpected

Public opposition to fracking has challenged politicians to work out how local people can share in the financial benefits of this new energy source

## Dangers

The issue of green belt development continues to divide the Coalition and is an increasingly divisive issue at the top of the Conservative Party in particular

A further 10% cut to the DCLG departmental budget.

Further local government cuts hitting public services



The Government's localism agenda suffered a huge setback following the Police and Crime Commissioner (PCC) elections last November and has struggled to recover ever since.

Historically low voter turnout, ranging from 13 to 20 per cent of those eligible, has thrown doubt on whether PCCs have a legitimate mandate. Although this follows on from a similar rejection of directly elected mayors, it indicates - worryingly for the Coalition - a real lack of public engagement in one of its flagship policies. Moreover, there are early reports that Police and Crime Commissioners are costing more than their predecessor police authorities, which if true will further undermine the project.

While the lack of widespread public support has arguably suppressed the Government's appetite for localism, its quest for economic growth has also been a source of local and regional tension, as have the Coalition parties' disparate attitudes on planning reform.

One notable Government success is the new Growth and Infrastructure Act, which passed in April last year despite opposition from rural lobbying groups. The Department for Communities and Local Government (DCLG) has also made some headway in changing the system of permitted development rights to make it easier for empty or underused buildings to be repurposed for other uses, and for commercial spaces to be turned into homes.

However, it is now unlikely that the Government will build on these achievements to pursue any further radical reform of the planning regime. Despite the best efforts of Planning Minister Nick Boles, whose championing of the house building sector has been relentless, there are simply too many opponents on the Conservative backbenches to ignore. They recently mobilised to force the Government to water down its proposals to make it easier for homeowners to build extensions following a very public row within DCLG.





With the DCLG budget due to be reduced by a further 10% and support for its localism agenda waning, it is looking more and more likely that its focus will turn to the implementation of existing reforms rather than any big new initiatives.

If so, that will do nothing to ease external pressure on the Government to come up with a bold plan to increase the amount of new homes. Following their promises to double the number

of homes built in England each year, Labour will look to keep planning reform at the top of the agenda, so this could still be a key battleground in 2015.



# JOBS & WELFARE

## Achieved

Introduction of the £1bn Youth Contract unemployment initiative

More apprenticeships

Cap on household benefits of £26,000

Pension auto-enrolment (600,000 estimated new savers)

## More to Do

The Work Programme had a poor start, with initial figures failing to hit Government targets – although recent figures show improvement

Youth unemployment remains high despite an overall good story on jobs

Passing of the the Pensions Bill, radically overhauling the pensions system including the introduction of a sing-tier pension and changes to the pension age

Universal Credit implementation



# Ed Leech | Senior Account Executive and Michael Hawes | Senior Account Manager

## The Unexpected

Appeal Court ruling that the Government had acted unlawfully in forcing a university graduate to work for her benefits at Poundland

Project difficulties with Universal Credit

## Dangers

Youth unemployment remains a huge problem across Europe. The Government will continue to face significant pressure to tackle the problem

Universal Credit implementation providing more headaches

Coalition division - Liberal Democrats, led by Chief Secretary Danny Alexander, reject further reductions to the welfare budget while Conservative Chancellor George Osborne supports new cuts



Welfare reform remains a dominant political issue, with the Conservatives in particular keen to make it a dividing issue at the 2015 Election.

Alive to this tactic, Labour have begun to talk tough on welfare with Ed Miliband committing Labour to a cap on welfare spending.

Secretary of State Iain Duncan Smith has placed a lot of emphasis on his Universal Credit scheme removing complexity and perverse incentives from the welfare system, but delivery has proven hugely problematic: the Government has been forced to admit that the 2017 deadline for implementation is now unachievable. However, given the importance of the project to welfare reform, the Government will hope to demonstrate significant progress ahead of the 2015 election.

On pensions, the Government introduced its flagship Pensions Bill to Parliament in May and the legislation has now reached its Lords stages. The radical changes include the introduction of a flat rate (single-tier) State Pension from April 2016 and

raising the State Pension age from 66 to 67 gradually between 2026 and 2028. Further, the Chancellor announced at the Autumn Statement that this rise will continue so that the retirement age is 69 by the late 2040s. The Government is seeking to use the reforms to demonstrate that the Coalition is taking difficult and long-term decisions.

In an interview to mark the start of the New Year, David Cameron promised to raise the state pension by a minimum of 2.5 per cent per year, or more if either earnings or inflation are higher. This puts pressure on Labour and the Lib Dems to do the same.

In terms of job growth, Official figures released in January 2014 showed that the UK unemployment rate had fallen to its lowest level since the autumn of 2009 with the number of people out of work falling to 2.32 million, a figure used by the Prime Minister and Chancellor to claim that their economic plan is working.

Arguably the Government's biggest challenge to date centred on an Appeal Court ruling that its flagship back-to-work scheme was unlawful – the decision was sparked by a university graduate taking legal action after being forced to work for free at Poundland. The result was an embarrassing Government u-turn.

Meanwhile, the Work Programme got off to a poor start, missing targets and facing accusations that it is failing to

help those most in need.

Initial figures showed that just 3.5 per cent of those on the scheme stayed in work for six months or more. However, more recent figures highlight an improving performance in the programme with 208,000 people having found lasting employment (normally at least 6 months) by September 2013. In comparison, by September 2012, just under 55,000 people had found lasting work. However, questions remain as to the viability of the programme and the contracts offered.

Critics point to the decision by Deloitte to sell its stake in the programme as evidence that the Government has failed to create a viable market in the welfare to work industry.

The political investment will last a little while longer.



# CONSTITUTIONAL

## Achieved

Succession to the  
Crown Bill

No 'Devo plus' in  
Scottish independence  
referendum

## More to Do

Avoiding Scottish  
independence



# REFORM

Jessica Smith | Account Executive

## The Unexpected

MP pay rise  
recommendations

## Dangers

Northern Ireland  
political settlement  
undermined by ongoing  
negotiations

Scottish independence



## The Coalition's track record on constitutional matters is one of frustrated Lib Dem ambitions and very limited change.

Some of the major cracks in the Coalition Agreement have been over Conservative unwillingness or inability to push through changes in the voting system or deliver reform of the House of Lords, with Conservative ambitions for boundary reform scotched as a result. The Coalition has had some small successes, such as the Succession to the Crown Bill receiving Royal Assent in April, although even this was not as easy a win as predicted.

However, an even bigger challenge remains on the horizon in the shape of the Scottish independence referendum.

The Government was forced into the referendum by the SNP's popularity, although it has ensured that Scots will face a straight yes/no vote with no 'Devo plus' option. The risk of that vote going against Westminster is limited, with polling consistently indicating the Scottish people are unconvinced by the independence case.

There is of course some distance to go, and what remains unclear is what will happen in the event of a no

vote. Alex Salmond will hope that a substantial but insufficient vote for independence gives him a mandate to negotiate more devolved powers. If David Cameron avoids being the Prime Minister who lost the Union, he may well hand over those functions to Holyrood with a sense of relief.

There has been some progress on devolution elsewhere in the UK. Following the first report from the Silk Commission on Welsh devolution, Nick Clegg and David Cameron pledged to provide for a referendum on devolving income tax-varying powers to the National Assembly. The Government accepted in whole or part many of the Silk Commission's 33 recommendations – notably a series of measures to enable the Welsh government to invest in transport infrastructure and devolved Landfill Tax and Stamp Duty Land Tax. The Commission will report on the non-financial aspects of devolution this year.

Power-sharing in Northern Ireland has existed in a reasonably steady state over the course of 2010-2015. There is a risk this may not remain the case after months of talk led by former US diplomat Richard Haass around the most divisive issues that have hampered the peace process fell through at the beginning of the year. Westminster Ministers can only look to steer that situation to a non-dramatic next phase.



# CONSTITUTIONAL REFORM



# EQUALITIES

## Achieved

Marriage (Same Sex Couples) Bill passed through the Commons

Abolished automatic retirement at 65

Deletion of historic convictions for homosexual acts - and a pardon for Alan Turing

Trained 5,000 women mentors to help women to start businesses

Announced package of policies aimed at helping working parents, including shared maternity/ paternity leave and changes to child benefit

## More to Do

Introduction of the transferable tax allowance for married couples



# Susanna Rushton | Account Manager

## Stalled / Dropped

Implemented the Davies Report recommendations for the appointment of more women to boards - but results mixed

Forcing businesses to disclose their male / female pay gap.

Plans to reduce nursery staff-to-child ratios

## The Unexpected

Huge amount of Parliamentary and leadership time consumed by Marriage (Same Sex Couples) Bill

Coalition infighting over childcare ratios

## Dangers

Policies fail to have significant cut-through before May 2015.

Another "calm down dear": unintentional slips are more memorable than policy.

Excessive focus on male/female equalities - ignoring race, disability, and other issues



While the equalities brief is often perceived to be one of the lowest-profile across Government – frequently assigned either to a junior minister, or lumped in with another portfolio – as far as the Coalition is concerned, equalities have provided some of the most testing issues they've faced.

Marriage equality has long been Mr Cameron's personal project, and while it is undoubtedly something he believes in, there is an element of his quest which is about deliberately breaking with orthodoxy to show a new sort of Tory leader to the electorate. That has though come at

a political cost, alienating some more traditional voters, who look at the policy as reason to lose faith in the Conservatives and flee to UKIP or at least waver in their support for the Tories.

Indeed, the bill providing for marriage equality only survived the Commons thanks to Labour, triggering a massive Tory rebellion in the process. The fallout was made no easier by the highly damaging leak in which someone close to the leadership allegedly described party members opposed to gay marriage and Tory policy on Europe as "swivel-eyed loons".

Further Government infighting eventually killed off proposed changes to childcare ratios, although this issue set Coalition partners against each other, rather than dividing the Tories internally.



Perceptions of equality and inequality can of course depend on who is affected, and there are moments where values which may be considered traditionally Conservative, rather than liberal, are at stake. For example recent child benefit changes may penalise single-earner families, in favour of those where both parents are working. Likewise, new childcare subsidies will only apply to households where both parents are employed, while shared parental leave policies are set to help families split the burden of caring for a baby. Although such reforms may be justified by some on grounds of value for money and equity, detractors claim the Tories are wrongfully deserting the 'traditional family'. The introduction of the transferable tax allowance will go some way towards rebalancing this.

During the early days of the Coalition, Cameron was dogged by accusations that he had a 'problem with women', partially thanks to his infamous 'calm down dear' put-down of Maria Eagle during a Commons debate in

2011. These 'Flashman' moments of seeming boorishness from the Prime Minister and some colleagues have led to a perceived problem with women voters that Tory strategy has attempted to address with policy in various areas.

Image can though be more powerful than policy. Despite well-meaning reforms, it is too easy for critics to say that a largely white, heterosexual, privately-educated, male Cabinet signifies (however unfairly) that the Coalition is not practising what it preaches.



# MEDIA

## Achieved

Leveson Inquiry and Report

Defamation Bill

## More to Do

Leveson implementation

Intellectual Property Bill

Draft Consumers Rights Bill

## Stalled / Dropped

Communications Bill



# Lara Newman | Senior Account Executive

## The Unexpected

Leveson  
investigations

Phone hacking DCMS  
Select Enquiry

## Dangers

Rebekah Brooks /  
News International Trial  
and decision

Future of DCMS as a  
Department



The Coalition's media policy has, for a very substantial part of the Parliament, been dominated by the Leveson Inquiry. The process was conceived as a necessary response to public revulsion over phone hacking, but the implications may have been more far-reaching than many ministers expected or wished. Having navigated the hearings without sustaining any serious damage, Mr Cameron and his ministers were left with a set of recommendations they found almost impossible to implement. After a very convoluted process, the Government has limped to a solution of sorts – the newspapers have a new watchdog, although outside of the Royal Charter framework, but it remains to be tested in any meaningful way and certainly falls short of the wishes of the Hacked Off campaign.

This has not proven a happy experience for the Department of Culture, Media and Sport, where Secretary of State Maria Miller has remained under pressure. With the Treasury and BIS circling for policy responsibility over the communications portfolio the Department's future is by no means secure.

Across the rest of the portfolio, Mrs Miller and her minister Ed Vaizey have backed away from promises for a new Communications Bill, expectations for which were raised significantly by former Secretary of State Jeremy Hunt. The Government has tried to

work with the internet industry to address some of the bigger issues around harmful content, but has not made any real inroads to a converged media policy, and the Communications strategy document 'Connectivity, Content and Consumers', published in July, remained rooted in traditional broadcast thinking. Ministers subsequently postponed a decision on switchover to digital radio, although the Department published an action plan in December which is designed to point the way to a digital future.

In truth, while Governments across Europe have been studying the regulatory impact of convergence for some time, it still feels premature to take a truly radical look at how we regulate and support the media in a converged digital age. It is likely to fall to ministers in government after the next election to take on this project.

The present incumbents' attention will now turn instead to the early stages of the BBC Charter Review. The Corporation's troubles over the year,



including mishandling of the Savile affair, huge payoffs for departing staff, and the leadership vacuum introduced by the resignation of Director General George Entwistle have made the case for reform and better governance more convincingly than any attack from government.

It is not, however, all doom and gloom: in April 2013, libel reform campaigners expressed delight that defamation reform was finally passing into law, although they were disappointed by

the failure of a bid to bar private companies contracted to run schools, prisons or healthcare from suing ordinary citizens. While not all directly relevant to the media industry, the new law does include landmark new protection for individuals and organisations, including newspapers and broadcasters, which criticise big companies.

MEDIA



# EDUCATION

## Achieved

Reform of higher education funding

Growth of academies and free schools

Reforms to National Curriculum

Performance-related pay for teachers

## More to Do

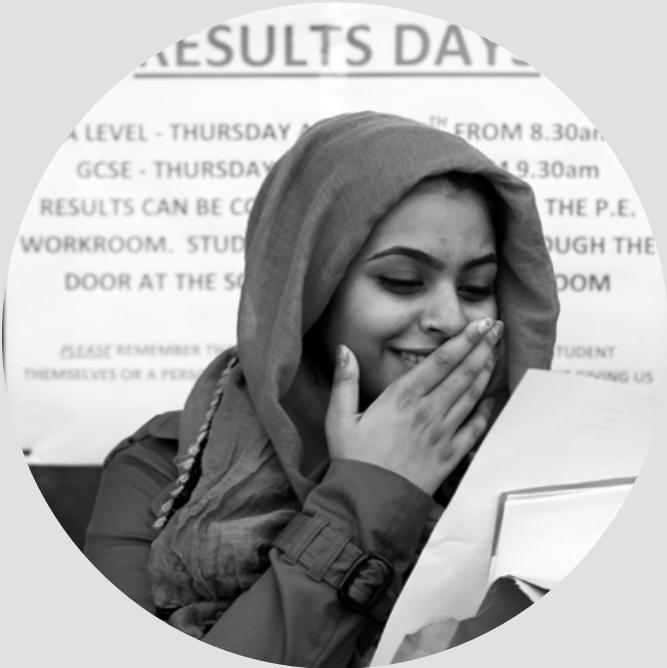
Diversify the HE sector

Embed the free school sector

Continue to bear down on grade inflation and reform qualifications

## Stalled / Dropped

Abolition of GCSEs



# Charles Reith | Researcher

## The Unexpected

Argument over Mr Men teaching methods and the causes of the First World War

Failure of Al-Madinah school in Derby

## Dangers

Further high profile free school problems

Student numbers start to fall due to high costs of studying



## Michael Gove has proven one of the most high-profile - and controversial - Education Secretaries in decades.

His zeal for reform has been matched by a combative attitude, willingness to ridicule opponents and confidence in taking intellectual or ideological positions. This is no doubt partly down to personal style but also a genuine wish to be as ambitious and far reaching as is possible in one Parliament.

In May 2013 Mr Gove approved a further 102 applications to open Free Schools, and 2014 should see more than 130,000 children attending the new schools, catering to mainstream and special education and often in areas of deprivation. Inevitably in a very heterogeneous mix, some of the schools already open have fared better than others. In November, following an investigation, ministers stepped in to prevent further misconduct at the Al-Madinah school in Derby. Academies were less in the headlines but continued to proliferate, with over 50% of secondary schools now converted.

Mr Gove's detractors continued to be outspoken (although new Shadow spokesman Tristram Hunt is gently supportive of many of the reforms). Teaching unions inevitably campaigned about their pay and

conditions, and went on strike in October. The Government response was not to blink, and ministers may see union opposition as a sign of ambitious reform. Others in the public eye - including children's author Michael Rosen - took up a cultural fight with Mr Gove, objecting to his view of the purpose and practice of education. Again, this was not a fight the Secretary of State backed down from, and he remains committed to promoting knowledge through the curriculum and taking on the shibboleths of the left.

The Liberal Democrat influence on education policy remained hard to discern - Nick Clegg's announcement of free school meals for all schoolchildren under six was really a welfare announcement and one



rather at odds with the broad thrust of government policy. Coalition tensions have though occasionally bubbled up: after a seemingly indisciplined coalition argument over the initial announcement that GCSEs would be abolished, the Government quietly confirmed the name would stay.

Higher and Further Education saw a quieter year in terms of policy.

Numbers applying for university rose slightly, although they are still below the numbers applying before changes in the fees regime and there is the risk they may fall again. Universities Minister David Willetts's focus is on diversifying the sector, bringing in new entrants and encouraging more competition for students. The same strategy is being employed by Skills

Minister Matt Hancock, and nowhere have market reforms to education gone further.

For the public to be convinced of this case, standards across all education sectors need to start rising soon.



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**Portland** ..

1 Red Lion Court. London, EC4A 3EB  
+44 (0) 20 7842 0123  
[info@portland-communications.com](mailto:info@portland-communications.com)  
[www.portland-communications.com](http://www.portland-communications.com)  
[@PortlandComms](https://twitter.com/PortlandComms)