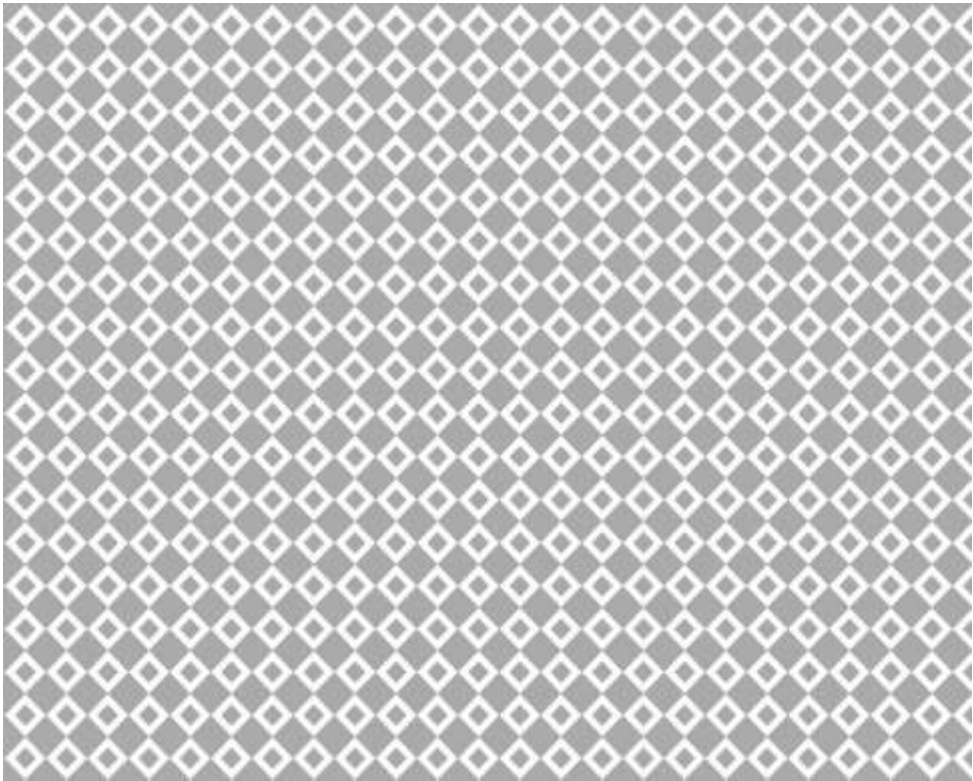# Liberal Democrats

Agenda 2020

Policy Consultation Paper

Consultation Paper 125
Spring Conference 2016

Background

This consultation paper is part of our Agenda 2020 programme, designed to review party policy and set out policy directions for the next five years. It does not represent agreed Party policy. It is designed to stimulate debate and discussion within the Party and outside; based on the response generated and on the deliberations of the working group a full policy paper will be drawn up and presented to Conference for debate.

The Working Group has identified key questions it would like to discuss but we also welcome thoughts and suggestions on any other important issues not covered in this paper.
The paper has been drawn up by a working group appointed by the Federal Policy Committee and chaired by Duncan Brack. Members of the group are prepared to speak on the paper to outside bodies and to discussion meetings organised within the Party.

Comments on the paper, and requests for speakers, should be addressed to: Christian Moon, Agenda 2020, Policy Unit, Liberal Democrats, 8–10 Great George Street, London, SW1P 3AE. Email: policy.consultations@libdems.org.uk

Comments should reach us as soon as possible and no later than 8th April 2016.

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1.   Introduction

1.1.   This consultation paper is the second stage in the Federal Policy Committee's 'Agenda 2020' process, designed to provide a framework for the party's policy-making throughout the 2015–20 parliament. Through this exercise, we aim to do four things:

- To describe the Liberal Democrats' core beliefs, values and approach.
- To examine the challenges – political, economic, social, environmental and international – that the UK is likely to face and the government will need to respond to over the next five years.
- To apply our approach to these challenges to produce priorities for policy development for the party throughout the remainder of this Parliament.
- To encourage as wide a debate as possible within the party on all these issues.

1.2.   This paper, a development of the consultation paper we produced for discussion in September, aims to provide a framework for that wide debate within the party. Section 2 offers a definition of the Liberal Democrat philosophy; this is rewritten from the text in the earlier paper to reflect the comments made at the consultative sessions at autumn conference and after.

1.3.   Sections 3 to 14 analyse the key challenges the country will face over the next five years across a wide range of policy areas, starting with a summary of key Liberal Democrat themes and approaches. Each section also summarises the party's key policies in this area, mainly drawn from the 2015 election manifesto. These sections are considerably expanded from the brief text included in the September paper, which mainly focused on the party's core

values. The final Agenda 2020 paper, for debate at the autumn conference, will identify which elements of party policy require reconsideration in the light of the challenges, and signpost the main points and directions of future policy development over the remainder of the Parliament.

1.4.   Everything contained in this paper is open to discussion. A special section of the party website, at www.libdems.org.uk/agenda2020, is available for any party member to post their response to this paper. A consultative session will be held at the federal conference in York with an innovative format designed to focus contributions on the key policies members think Liberal Democrats need to pursue. We also hope that state, regional and local parties and party organisations will organise discussion meetings round the issues.

1.5.   The responses we have received from party members already, including the comments made at the consultative sessions at the autumn conference and through the website, the opinion pieces we commissioned and published alongside the last consultation paper, and the essay competition we ran after conference have been extremely valuable inputs to this exercise. The winning essay – voted for by party members – will be published on the Agenda 2020 section of the website.

1.6.   The final stage of the Agenda 2020 exercise will be a full policy paper for debate at the autumn conference, which will present the party's beliefs and how we use them to develop our policy positions, together with a programme of policy development for the FPC and conference. We hope this debate on the party's beliefs and approaches will serve to bring the whole party together, to inspire us and to help us better to persuade the country what liberalism is and to demonstrate what the Liberal Democrats are for.

2.   The Liberal Democrat Approach

The Liberal Democrats exist to build and safeguard a fair, free and open society, in which we seek to balance the fundamental values of liberty, equality and community, and in which no-one shall be enslaved by poverty, ignorance or conformity.

Liberal Democrats stand for liberty, the freedom of every individual to make their own decisions about how best to live their lives. We trust people to pursue their dreams, to make the most of their talents and to live their lives as they wish, free from a controlling, intrusive state and a stifling conformity; a free and open society that glories in diversity is a stronger society.

We stand for equality, for the right of everyone to be treated equally and with equal respect, whatever their personal characteristics; and in the duty of the state to create the conditions in which individuals and their communities can flourish. We stand for community, for dispersing political and economic power as widely as possible, for government works best when it is closest to its citizens.

Since we believe in the worth of every individual, we are internationalists from principle, seeking cooperation, not confrontation, with our neighbours. And since we believe that future generations have the same rights as we do to live their lives in the ways they choose, we aim to create an environmentally sustainable economy and society, where people live in harmony with the natural world.

Holding these beliefs, Liberal Democrats are instinctively on the side of the individual against concentrations of power, free thinking, unimpressed by authority and unafraid to challenge the status quo.

2.1.   The Liberal Democrats are the heirs to two great reformist traditions in British politics – those of liberalism and of social democracy. Like all political philosophies, ours is based on a view of human nature. The Liberal Democrat view is an optimistic one. We believe in the essential goodness and improvability of humankind – that, given the opportunity, in most circumstances people will choose to do good rather than harm.

2.2.   Liberal Democrats trust individuals to make their own decisions about how they live their lives; no one else, whether politicians, clerics or bureaucrats, should have the right to decide for them how they should live. The good society is one in which each individual has the freedom and the capacity to follow their own paths as they judge best.

2.3.   'The only part of the conduct of any one, for which he is amenable to society,' wrote John Stuart Mill, the greatest of the Victorian Liberal thinkers, in *On Liberty*, 'is that which concerns others. In the part which merely concerns himself, his independence is, of right, absolute. Over himself, over his own body and mind, the individual is sovereign.' This belief, which goes to the core of the Liberal philosophy, is why *On Liberty* is the symbol of the Presidency of the Liberal Democrats, a copy being handed over to each new President at the start of their term of office.

2.4.   It is the love of liberty above any other value that marks the liberal out as a liberal. It is why the last paper the party published on its core philosophy, in 2002, was called *It's About Freedom*. We believe in the right of people to pursue their dreams, to make the most of their talents and to live their lives as they wish.

2.5.   Yet we also recognise that people's ability to realise their own goals is critically affected by their circumstances. Poverty and ill-health, poor housing and a degraded environment, and a lack of education all limit an individual's life chances and thereby restrict their capacity to be truly free. Social justice matters to Liberal Democrats; we believe that it is the role of the state to create the conditions in which individuals and their communities can flourish.

2.6.   So government needs to provide decent public services and an adequate welfare safety net for those in need. In particular, we place priority on high-quality education, the enabler above all else in liberating people, developing their talents and capabilities and ensuring that they can live their lives as they wish.

2.7.   Essential though these are, by themselves they are not enough. Inequality itself undermines the ability of everyone, throughout society, to live a good life. Evidence clearly shows that the more unequal a society is the weaker it is: compared to its more equal counterparts, the citizens of an unequal society suffer from poorer health, lower educational attainments, higher crime rates, and lower levels of trust and co-operation. Government is justified, therefore, in reducing inequalities in income and wealth – as Liberal Democrats in coalition did, for example, through raising the income tax threshold and closing tax loopholes for the rich – and to correct other examples of inequality, for example through our introduction of the pupil premium, providing extra resources for schools to teach pupils from poorer family backgrounds who lack the educational advantages enjoyed by children from better-off families.

2.8.   This is one dimension of the Liberal Democrat commitment to equality: that, as far as possible, everyone

should have the same opportunities to make what they want of their lives. The other dimension of equality is the right of everyone to be treated equally and with equal respect, whatever their personal characteristics, such as race, gender, nationality, way of life, beliefs or sexuality. 'Equality before the law' was one of the great rallying cries of the Whigs, our seventeenth- and eighteenth-century forebears; and 150 years ago, in one of the few feminist classics to be written by a man, *The Subjection of Women*, John Stuart Mill argued 'that the principle which regulates the existing social relations between the two sexes – the legal subordination of one sex to another – is wrong in itself, and now one of the chief hindrances to human improvement'. As Liberal Democrats we still pursue this quest for equality today – for example in legislating for same-sex marriage or in trying to close the gender and BAME pay gaps.

2.9.   We believe in the right of people to live their lives as they wish, free to say what they think and to protest against what they dislike, regardless of who disagrees with them, free of a controlling, intrusive state and of a stifling conformity. A free society that glories in diversity is a stronger society. Societies, governments, bureaucracies and corporations work best when the beliefs and maxims of those at the top can be challenged and disproved by those below. Open societies learn and evolve; closed societies stagnate and fail.

2.10.   Individuals of course do not exist in isolation; we are embedded in social relationships which help to give our lives meaning and fulfilment. We are all members of different communities, whether defined geographically or through work, tradition, culture, interests or family. Communities enable individuals to join together in the pursuit of common goals or activities, in the defence of their views, or simply to

enjoy each other's company; they are the main way through which people express their identity.

2.11.   To function effectively, communities need to be able to exercise real political and economic power, taking decisions for themselves in the interests of their members. We therefore believe that government should act to encourage the development of thriving communities – decentralising power, for example through the establishment of local banks or community energy cooperatives, tenants' management of social housing, or mutual structures at work, employee participation and trade unions.

2.12.   We recognise, however, that communities can sometimes be illiberal and oppressive, restricting individual freedom perhaps in the name of tradition or the pressure to conform. We believe in a tolerant and open society, in which every individual has a free choice of which communities, if any, to join or to leave and of what identity or identities to express.

2.13.   In general, societies which base their economies on free markets and free trade are themselves freer and fairer: markets are generally better than bureaucracies in matching demand and supply, allocating scarce resources and rewarding innovation and entrepreneurship. Yet there are many ways in which markets can fail. Large corporations too often abuse their power and are frequently incapable of self-regulation (as we saw in the banking crisis). Left to themselves, markets cannot provide public goods such as the protection of the natural environment. In some cases where markets could deliver services, outcomes may be more equitable if they are provided through non-market solutions – such as health care.

2.14. A liberal society therefore requires an active and interventionist state – to regulate markets, to deliver public goods and to adjust market outcomes to create a more equal society. Yet government failure can be as much a threat as market failure: it is easy for governments to become remote and unresponsive to their citizens, to be intolerant of dissent and difference and to interfere in individuals' lives, for example in the name of national security.

2.15. Liberal Democrats approach this problem in two ways. First, by placing boundaries on the ability of governments – or corporations, or the media, or other individuals – to interfere in the lives of their citizens, though strong and effective codes of human rights and civil liberties and through upholding the rule of law free of arbitrary political interference. The presence of Liberal Democrats in coalition ensured that the Human Rights Act was retained, and that the Conservatives were prevented from introducing covert surveillance through the 'snoopers' charter'.

2.16. Second, by ensuring that state institutions are responsive to the needs and wishes of individuals. This includes ensuring that they function democratically – for example through replacing the current voting system, which delivers governments which do not reflect the way in which people vote; through reforming party funding, to ensure that big business, or big unions, cannot buy the election result; through replacing an appointed with an elected House of Lords; and through ending – as we did in coalition – the Prime Minister's power to call an election whenever they like, which usually benefits the Prime Minister's party. This also includes situating political power at the lowest level consistent with effective government, since the more local an institution is the more likely it is to be responsive to local needs and

circumstances. This implies decentralising power to local government and to the nations and regions of the UK.

2.17. This approach is fundamental to a liberal society because for us, democracy is much more than just a mechanism for counting votes. It means a spirit of equality, openness and debate, a coming together to decide our future fairly and freely, without being dominated by entrenched interests or the power of money. It means a system in which every citizen is empowered to make their voice heard and to participate in the decisions that shape their lives. It is the bedrock of an open society. A state that supports freedom has to be a democratic state, in which politics is not an activity confined to a tiny elite but something everyone can take part in, as and when they choose. As four-times Liberal Prime Minister William Gladstone put it, in the words inscribed in the entrance to the National Liberal Club: 'The principle of Liberalism is trust in the people, qualified only by prudence. The principle of Toryism is mistrust of the people, qualified only by fear.'

2.18. More broadly, we aim to disperse power as widely as possible throughout society. This affects, most clearly, the institutions of government, including public services, which function more effectively when those who use them, not just those who deliver them, are involved in decision-making. Our belief in the dispersal of power also affects many other aspects of modern life, including access to justice, corporate governance (including the rights of employees and shareholders and the obligations of companies to local communities), and the distribution of media ownership. Every individual should have the right and the opportunity to challenge the excessive concentration of power, and the abuse of power, whoever or whatever it derives from.

2.19.   There is no general answer to the question of how much government intervention is enough, or how big the state should be. This is because of the need to deal both with market failure and with government failure, and because the appropriate level of state involvement, and the size of the state, varies so widely over time and across areas of activity. Differences of opinion over this question lie at the root of the disagreements between 'economic liberals' and 'social liberals'. Economic liberals (sometimes called 'classical liberals') emphasise the dangers of an over-mighty state, and prefer small and non-interventionist government, while 'social liberals' place more stress on the need for state action, for example to redress inequality or tackle climate change, and therefore prefer more active and interventionist government, constrained primarily through decentralisation and restraints such as written constitutions. In reality, though, individual liberals' views range over a broad spectrum rather being separated into two firm camps.

2.20.   Since Liberal Democrats believe in the worth of every individual, we are internationalists from principle, rather than nationalists who define their nation or race in opposition to others and thrive on division and intolerance. We believe that the free movement of people and the free exchange of ideas, goods and services across national boundaries enrich people's lives, broaden their horizons and help to bring communities together in shared understanding. And just as individuals' rights and relations are most effectively protected when they are underpinned by a system of law, so relations between the peoples of the world are most successful and fair when they are based on law, and a system which is as democratic as possible.

2.21.   We are also internationalists for good pragmatic reasons, because some goals are too big for nation-states to

achieve on their own: guaranteeing peace and security, limiting climate change and promoting a healthy environment, standing up to corporate power and spreading prosperity around the world. This is why we support the European project, not least because it has brought peace to a continent that has historically been wracked by war. Above all else, it was a shared belief in the value of Britain's membership of the European Community that helped bring the Liberal Party together with the Social Democratic Party in the Alliance of the 1980s, and then to merge to form the Liberal Democrats. We also argue for effective international institutions, such as the United Nations and its agencies. In an increasingly uncertain world, the security and prosperity of the UK and its citizens requires cooperation with the country's neighbours, not withdrawal from them.

2.22.   Our belief in the empowerment of individuals is not limited to the current generation; future generations have the same rights as we do to live their lives in the ways they choose. Climate change, pollution and the degradation of the natural environment pose some of the greatest threats to the well-being and freedom of future generations – and, increasingly, to our own lives – that modern society has ever seen. We need to act at home and internationally to promote environmentally sustainable ways of doing things – as did Liberal Democrats in coalition, in establishing the world's first Green Investment Bank, supporting the growth of renewable energy and setting ambitious climate targets.

2.23.   We recognise, of course, that some of the beliefs described above can conflict with others. When does an individual's right to express their opinion cause harm to others? To what extent should government interfere in the rights of employers in order to protect the rights of their employees? When does government action to reduce

inequality cease to be liberating and start to be unjust? There is no general answer to these questions; it depends on the particular circumstances of any given case. The resolution of these conflicts is the proper role of politics. So how we do our politics – our style and approach – is just as important as are our beliefs and values. This is why political parties feel very different from one another even when they support the same policies.

2.24.   Liberal Democrats' style, whether in government, in our local communities or within our own party, is to be this: instinctively on the side of the individual against concentrations of power, whether state or private; tolerant of differences and open to new thinking; pluralist, aware that we have no monopoly of wisdom, not afraid to work with others, seeking cooperation rather than confrontation; independent, free of vested interests or class bias; participatory, in our own organisation and operation; honest, not afraid to put forward unpopular policies; thoughtful, not dogmatic; **and, finally** – and perhaps most characteristically – free thinking, unimpressed by authority and unafraid to challenge the status quo.

3.   Challenges and priorities

3.1.   Sections 4 to 14 analyse the key challenges – political, economic, social, environmental and international – that the UK is likely to face and the government will need to respond to over the next five years. Their arrangement by broad policy area, however, tends to obscure some key cross-cutting themes, which inform our approach to all issues. These include the following.

3.2.   *Liberty*: empowering individuals to exercise control over the decisions that affect their lives, whether made by the institutions of government, by public services or by corporations or the media; ensuring people have opportunities to make their views and wishes heard and responded to; and restraining the ability of government or other bodies to interfere with or spy on them.

3.3.   *Equality*: reducing levels of income and wealth inequality which undermine social cohesiveness, and seeking to ensure that every individual enjoys the same life chances regardless of their race, gender, nationality, way of life, beliefs or sexuality.

3.4.   *Community*: fostering the growth and resilience of strong communities and dispersing economic and political power to local communities.

3.5.   *Environmental sustainability*: the need to ensure that the economy, and society more broadly, steadily reduces its impact on the natural world, combating climate change, reducing the waste of natural resources and protecting green spaces, wildlife and habitats.

3.6.   *Quality of life*: everything government does, from education and health to defence, security and economic policy, should in some way be helping to improve people's well-being. If government is doing something which does not contribute to improving the lives of people either here or abroad, then it should stop doing it.

3.7.   *Internationalism*: wherever possible, we look for cooperative internationalist approaches to the challenges outlined here. Most commonly, this means action through the EU and its institutions.

4. Prosperity: how can we build an economy for the long term?

4.1.   For much of the twentieth century the Liberal Democrats and their predecessors were known as innovators in economic policy. We were not only the party of John Maynard Keynes and the first to adopt his ideas but also the first party to question conventionally measured economic growth and the first to call for independence for the Bank of England. We also promoted a distinctive approach to how economic activity should principally be organised – neither through nationalisation and state planning nor through unbridled corporate capitalism but through mutualism embedded in a market economy. It would be fair to say, however, that for the past 15 years the party has not been at the leading edge of innovation in economic thinking.

4.2.   The main elements of the party's economic policy from the 2015 manifesto included the aim of balancing the structural current budget by 2017/18, reducing debt as a share of national income, making deficit reduction fairer, setting new fiscal rules to balance the budget while allowing borrowing for productive investment, and increasing public spending in line with the economy once the budget was balanced. We aimed to double innovation spend, making the UK a world leader in advanced manufacturing, clean technology and digital industries; grow a competitive banking sector, support alternative finance providers and improve access to finance for business and consumers; expand the Green Investment Bank and set a legally binding decarbonisation target for electricity generation; and invest in rail upgrades across the country and HS2.

4.3.   The party now needs to consider from first principles the objectives of economic policy. Should it continue to accept the conventional goal of maximising GDP per head? The problem with GDP per head is not only that it ignores environmental constraints but it also ignores quality of life and inequality. While the UK is above average for the EU in terms of GDP per head, it is below average for well-being (as measured by the ONS), and is one of the most unequal. We should consider whether we should aim for a society where the average citizen is healthier, happier and better off, even if that does not result in a higher GDP per head. For example, it is possible that the type of taxation most useful for reducing inequality – direct taxation – might in the long-term reduce growth in median income, whereas the type of taxation – indirect taxation – which is least harmful to long-term growth is the least helpful in reducing inequality.

4.4.   Systematically substituting well-being for income would help to deal with the problem of quality of life. The problem of inequality might be dealt with in many different ways: the most modest would be to aim to maximise the well-being of the median member of society; more radical would be to be to aim to maximise the well-being of the most disadvantaged; a third would be to adopt a separate goal specifically about inequality and to aim to maximise median well-being as long as the equality goal is reached.

Prosperity and trust
4.5.   One of the emerging themes of recent empirical work on macro-economic success and failure across the world is the importance of structural factors such as the rule of law and levels of social trust. Confidence in the efficacy and independence of the legal system is crucial to investment and thus to long-term prosperity. High levels of social trust are also highly advantageous for economic prosperity, and even

seems to allow a country to impose high levels of taxation to fund public services without damaging economic growth. If the legal system is accessible only by the rich and powerful, this is not only unjust but is also a long-term economic threat. Similarly, a divided society lacking any sense of community will suffer economic decline.

4.6.   Historically Britain has scored well on the rule of law but there are signs that public opinion is starting to turn - believing the legal system is biased towards the wealthy. Britain has moderately high levels of social trust, around the EU average, but well below those in the Nordic countries. Policies may therefore need to be developed on restoring access to civil justice; reducing inequality of wealth and income; and breaking down barriers between different social groups, such as through decentralising power and encouraging broad-based community activism, providing language education for migrants, or encouraging mutualism and democracy at work.

Productivity and innovation
4.7.   One of the most important long-term determinants of prosperity and quality of life is the level of labour productivity. Following the crisis of 2007–08 Britain suffered a slump in productivity – which was already low by international standards – and, unlike most of the rest of the world, has seen little or no recovery since (this is often referred to as the 'productivity puzzle'). Not every method of increasing productivity is worth pursuing (for example, the 'Beecroft agenda' of removing employment protections), but there are many policy options for raising productivity that do not compromise well-being, from more R&D tax breaks and subsidies and higher public spending on science, to banking sector reforms to encourage greater competition in the supply of finance.

4.8.   Five issues in particular require attention:

- Management quality: one important driver of low productivity in the UK is poor management. A programme of testing possible ways of improving management quality, including more inclusive and participative forms of corporate governance, needs to be developed. Another possibility might be to pay more attention in science and innovation policy to the capacity of UK businesses to absorb, adopt and use technological innovation as opposed to policy concentrating solely on generating new products.
- Service sector productivity: even though the service sectors are by far the largest UK employers, relatively little attention has been paid to improving their levels of productivity and innovation, especially in non-exported services. Programmes aimed at, for example, technology adoption and business process innovation in the service sector should be developed and tested.
- Self-employment: one possible explanation of at least part of the UK's 'productivity puzzle' lies in a growth in unproductive self-employment, as result of, for example, benefit policies. Part of this problem will solve itself as unemployment falls, but another part of the problem is how to improve the productivity of the genuinely self-employed; promoting the 'sharing economy' might be part of the answer.
- Housing: the tendency to regard housing as an investment asset is a serious problem, tying up funds in an illiquid and unproductive form that creates no new jobs and makes no contribution to innovation or productivity. The problem is

essentially political rather than technical. The means for tackling it are fairly clear – in essence the various tax advantages for holding wealth in the form of housing and land over holding it in the form of shares and bonds need to be eliminated – but how to achieve that end in a politically sustainable manner has not yet been discovered.

• Sectoral innovation: where should government direct support for innovation? In reality, governments are no better now than they have ever been at picking winners, largely because their judgment is often impaired by electoral considerations. There is, however, one sector in which the direction of policy across the world will almost certainly encourage innovation, namely the green economy. If innovation is to pick up, it is most likely to happen in green products, processes and services and government should be acting accordingly.

Macro-economic management

4.9.   The most pressing issue in post-Crash macro-economic policy is whether it is now possible to combine consistent economic growth with financial stability. Some economists think that it is not. They believe that for various reasons – notably an aging population, a reduction in demand for debt-financed investment from high-tech firms and a glut of savings arising in part from the extreme levels of inequality prevailing in the UK and the US (the rich save more of their income than the poor) – the natural long term or 'neutral' real rate of interest has permanently fallen. That produces a number of serious problems, not least of which is the 'search for yield', in which investors, frustrated at low market interest rates, progressively accept higher and higher levels of risk to obtain the rates of return they require, which in turns leads to

a much greater incidence of financial crises. Worse still, since official rates of interest are already near to zero, the next time a financial crisis hits the monetary authorities will not be able to respond by cutting their interest rates. The situation is made worse by the effects of some of the policy instruments already deployed, such as quantitative easing, which through inflating asset values makes inequality worse. In the UK the high propensity of households to divert (future) savings into housing creates a particular threat to stability in the form of house price bubbles.

4.10.   What can be done about this situation? Options, none of which lacks serious risks, both political and economic, include:

- Raising total demand in the UK economy – which would involve abandoning austerity and worrying less about the national debt. The obvious objection is that one cannot continue indefinitely to increase public debt, but the counter-argument is that multiplier effects offer the prospect of the stimulus paying for itself. The party needs to make a judgment about the policy stance most appropriate for the UK. One factor pointing in the direction of caution is that multiplier effects work less well in open economies. Another is that deficit-financed public spending has previously been found, in the conditions prevailing before the crisis, to reduce long-term growth rates, although that risk can be mitigated by concentrating spending on areas that raise future growth rates – e.g. infrastructure and education.
- Instituting more aggressive regulation of financial markets ('macro-prudential regulation') to counter the search for yield, recognising, however, that

this might have serious implications for e.g. pension funds.

- Countering the long-term trends that generate the problem, which means, for example, changing the age structure of the population by advocating levels of immigration higher than those currently acceptable to the UK electorate, promoting capital-intensive industries such as green energy, and reducing inequality through redistributive taxation.

- Raising interest rates by creating a shortage of debt finance by instituting severe credit controls (sometimes expressed as reducing the banks' ability to create money) – although this has the serious risk that it would make productive investment even less likely.

- Responding to future crises with new policy instruments, for example versions of 'helicopter money', which expand the money supply through the bank accounts of households rather than through the corporate sector. This would avoid the adverse distributional effects of conventional quantitative easing but would instead run a substantial risk that the authorities would not have the courage to turn off the tap.

Questions

1. *Should we abandon maximising GDP per head as the goal of economic policy in favour of median or minimum well-being? Should we adopt an explicit target on equality? How do we resolve the tensions between tackling inequality and promoting increasing prosperity for the average citizen?*

2. *Should we expressly recognise the central place of the rule of law and social trust in creating the conditions for long-term prosperity? Should we seek to strengthen them not only for their own sakes but also for their economic benefits?*

3. *What policies should we adopt to promote innovation and increase productivity? Should we support a sectoral industrial policy (a) at all or (b) in sectors beyond the green economy? Is there a politically feasible way of weaning the country off investment in existing housing?*

4. *Should we revive and refresh our support for mutualism in a market economy as contributing to social trust, equality and productivity?*

5. *What should our macro-economic policy be? Should we react to the threat of secular stagnation by advocating a much looser fiscal policy? Which other policies should we adopt to raise long term returns?*

5. Environment: how can we create a sustainable economy and society?

5.1.   Politicians and political debate tend to treat policies which affect the natural environment as a discrete category – but in reality environmental issues interact with almost all other policy areas and outcomes, including health, poverty, energy, transport, housing, planning, foreign policy and international development. Most critically, the decarbonisation of the world economy that the Paris Agreement of December 2015 now heralds will require major changes in the way in which modern economies – currently based on burning fossil fuels – are structured. This offers the UK significant opportunities to improve jobs, prosperity and quality of life – which is why this section follows the section on the economy.

5.2.   Liberal Democrats have long been recognised as the greenest of Britain's three major political parties. Recognition of the value of the natural world to human well-being, support for green industry and acknowledgement of the need for urgent action to combat climate change and other environmental challenges remain at the core of our approach. Three key areas need addressing: climate change; resource efficiency and the circular economy; and the protection of the natural world.

Climate change and decarbonisation
5.3.   Unconstrained growth in greenhouse gas emissions leading to catastrophic climate change is perhaps the greatest threat human society currently faces. Its effects include an increase in extreme weather events, flooding and storm damage, rising temperatures, wildfires and the spread of vector-borne diseases like malaria and dengue. The most immediate impact is likely to be falling agricultural yields leading to rising food prices – a key factor behind the Arab spring uprisings and

the Darfur conflict. In the UK we can expect more frequent and more severe flooding, similar or worse to that seen in December 2015, over the winter of 2013–14 or the summer and winter of 2012, the impacts of rainfall and storms being exacerbated by patterns of land use, agriculture and housing developments.

5.4.   Yet there are reasons for hope. In 2014 global carbon emissions remained level despite continued economic growth, the first time this has happened in the absence of a major economic crisis, and preliminary data suggests that in 2015 they fell – though remaining at too high a level. For every year since 2008 global net investment in renewable energy has been larger than in fossil fuels; in 2013 it was roughly double.

5.5.   The UK, already a world leader in offshore wind power, marine renewables, low-carbon transport and green finance, is well placed to compete in the new and expanding international markets around low-carbon, resource-efficient and environmentally sensitive infrastructure, technologies and services – so an environmental challenge is also a major opportunity to rebalance the economy and lay the foundations for long-term employment and prosperity. The headlong dismantling by the Conservative government of the support frameworks erected by the coalition is one of the clearest demonstrations of the differences Liberal Democrats made to government.

5.6.   Improving the energy efficiency of British housing – much of which is still poorly insulated and hugely wasteful of energy – offers the prospect of growth in jobs across the country, while at the same time reducing the demand for new power generation, cutting householders' bills and improving their quality of life. In particular, it offers the chance of eradicating fuel poverty, a scourge which should not exist in a civilised society. Investing in household and community renewable energy helps

to create a more dispersed and resilient energy system while at the same time generating community investment, jobs and cohesion. Decarbonising road transport will help to cut local air pollution, currently estimated to cause nearly 30,000 premature deaths a year (now suspected to be an under-estimate) and an economic cost comparable to that of obesity.

5.7.   Liberal Democrat policy on climate change is built on a commitment to a zero-carbon Britain by 2050 (in contrast to the Climate Change Act target of an 80 % reduction in greenhouse gas emissions), and includes support for renewable energy; an expanded Green Investment Bank and low-carbon innovation; a major focus on energy efficiency, particularly in households (also helping to end fuel poverty); support for new nuclear stations (without public subsidy), carbon capture and storage, fracking (under tightly regulated conditions), and low-carbon transport; and a revised policy framework, including ambitious EU climate targets and a new global climate agreement.

Resource efficiency and the circular economy
5.8.   The topics of resource efficiency and the 'circular economy' (in which, as far as possible, economic growth is decoupled from resource constraint through minimising the input of natural resources, and reusing, recovering and recycling them) are relatively new to political debate, but are of growing significance to Britain's (and the world's) long-term economic prospects.

5.9.   Estimates of the volume of natural resources needed if the world's population (current and predicted future) is to experience the consumption patterns of developed countries vary between four and ten times current global output. A 2014 report revealed that 80 % of UK manufacturing business chief executives identified raw materials shortages as a risk to their business; the UK cement industry used 75 % more energy per

unit of output than the EU average; and one recent assessment of immediately available resource efficiency opportunities in the UK with a payback period of less than one year found a potential total saving of £23 billion. Conservative ministers have displayed no interest in this area at all, generally being obsessed with driving down labour costs while opportunities to improve energy and resource efficiency and eliminate waste go untouched.

5.10.   The party has never really developed detailed policy in this area, though the 2015 election manifesto included tasking the Natural Capital Committee with identifying the key resources being used unsustainably and recommending legally binding targets for reducing their net consumption; using smart regulation and public procurement to support circular economy models, including requiring specified products to be sold with parts and labour guarantees for at least five years; and creating an Office of Resource Management to promote resource efficiency and waste minimisation across government. This area ought to be an important one for the Liberal Democrats, part of the way in which we can demonstrate that action to protect the environment can also be good for business, jobs and prosperity.

Protecting the natural world
5.11.   Although environmental policy is critical to economic policy, politics is about more than just prices and costs, growth and jobs. It is also about creating the conditions for a good life, for better places in which to live. Critical to that aim is the protection and enhancement of the natural environment – the countryside, wildlife and their habitats and city parks and gardens and green spaces of every kind. This objective is critical to personal health and well-being, quality of life and a sense of personal and community identity. It is worth defending even at the cost of some economic 'growth' (as conventionally defined).

5.12.   And there is in any case a strong economic case for environmental protection. The natural world feeds us, provides vital services like clean air and water, or pollination, and helps to manage floods and water run-off. The total value of such natural resources to the UK economy was an estimated £35 billion in 2011. We should therefore champion policies which enhance biodiversity and protect the natural environment, as well as supporting local economic and community activity that enhances water, landscape and heritage management. All of these aims are currently threatened by the intensification of farming and by climate change, and adapting successfully to the impacts of climate change – including ever-more serious flooding – is an urgent priority.

5.13.   Party policy is built around a commitment to a Nature Act, including the placing of the Natural Capital Committee on a statutory footing; publication of a 25-year plan for recovering nature; the introduction of a new Public Sector Sustainability Duty; a package to protect the world's oceans and marine environment; and implementation of the findings of the Independent Panel on Forestry.

5.14.   Agriculture and food production pose particular challenges. The UK has not been self-sufficient in food production for hundreds of years, but the trend is accelerating; over half of UK food is now imported, with costs in transport-related carbon emissions. Modern systems of food production also rely heavily on the input of chemicals and energy, and impact soil quality and water use. Globally, the growth in population and average incomes is placing increasing stress on land use; the main cause of deforestation, world-wide, is clearance for agriculture. Liberal Democrats have argued for a National Food Strategy to promote the production and consumption of healthy, sustainable and affordable food in the UK, and development

assistance to promote sustainable agriculture in developing countries.

Questions

6. *Most forms of renewable energy are currently more expensive than fossil fuels, at least in their initial investment costs if not over their lifetime. How can the government best support them?*

7. *How can household energy efficiency best be improved?*

8. *How much can we expect to drive behavioural change (e.g. switching from owning a car to using public transport or cycling or renting cars) and how much can we expect to achieve through technological change (e.g. incentivising low-emission cars)?*

9. *How much should we expect the UK to lead the way internationally (e.g. in reducing carbon emissions or developing a circular economy) even if it harms international competitiveness?*

10. *Under what circumstances are we prepared to forego economic growth (as conventionally defined) to protect the natural environment?*

11. *How do we need to reform the planning system to protect the natural environment while at the same time allowing the new housing and urban development that the country needs?*

6.   Immigration: how can migration contribute to a liberal society?

6.1.   The issue of immigration has attained a high level of importance in political debate and its significance to people has shot up over the last 15 years. A large majority of voters over the last 25 years have consistently said that immigration is 'too high'. According to Ipsos MORI, the public ranks immigration as the second most important issue facing Britain today and 40% of people identify it as an important issue.

6.2.   Immigration looks set to continue as a major concern for voters. Debate surrounding the upcoming EU Referendum and the Conservatives' EU renegotiation strategy focuses heavily on immigration. Many people view 'uncontrolled' EU migration as the one of the primary reasons to leave the EU and perceived over-generosity towards migrants in the benefits system add to this. Indeed, one of Cameron's current demands during EU negotiations is to prevent EU migrants from claiming some benefits for up to four years.

6.3.   The recent significant increase in immigration into the EU arising from geopolitical instability, particularly in the Middle-East, has exacerbated pressure on European host countries. The level of migration – over 1 million people arrived in Europe during 2015 - has led to the effective suspension of the Schengen Agreement, and heightened the sense of crisis around migration.

6.4.   The increasing salience of immigration as an issue has helped feed the rise of UKIP and arguably contributed ultimately to Cameron's granting of the EU referendum. It has also contributed to the Conservatives' insistence on sticking to its policy of a Net Migration Target of under 100,000, despite its consistent failure to deliver net migration anywhere close to this.

ONS figures show that net migration hit a record high of 330,000 last year.

6.5.   The Liberal Democrat approach to immigration has always been based on our liberal, open, tolerant, internationalist view of the world. As liberals, we focus much more on the similarities between people of different nations and our common human values rather than our differences. This leads us naturally to be comfortable with people being relatively free to cross borders, seeing us all as part of an international community of people rather than inherently divided. Of course we have always supported some regulation of immigration, for example a points-based system to ensure economic migrants bring skills that will contribute to the UK economy.

6.6.   In some ways our policy on immigration is in good shape. It is relatively up-to-date, with a comprehensive policy paper approved at Spring Conference 2014, Making Migration Work for Britain (Policy Paper 116). However, because immigration as an issue has become so important politically and the current situation is moving rapidly, with big challenges ahead in this area for the country, we should ask ourselves whether our policies are still up-to-date enough or whether our approach or emphasis needs to shift.

Illegal immigration and abuse of the system
6.7.   We are supportive of sensible measures to improve control, enforcement and fairness of immigration rules and processes.

6.8.   Policy Paper 116 included proposals for better control and clearer parliamentary oversight of migration policy, via full border entry and exit monitoring and an annual parliamentary debate and vote on immigration policy. The 2015 Manifesto also proposed a number of strong enforcement policies, such as

'restore entry and exit checks at borders' or 'ensure employers of migrants comply with minimum wage and other employment legislation'.

6.9.   Our achievements in Government can be seen in the same vein - cracking down on abuse of the visa system by bogus colleges, returning accountability over border control from the UKBA directly to the Home Office, and tightening rules and checks on access to benefits for migrants.

Refugees and asylum
6.10.   Currently, the party is focusing on distinguishing asylum as a separate issue from the broader migration debate and highlighting the plight of refugees fleeing Syria and other destabilised countries. Tim Farron has recently called for Britain to take in 3,000 unaccompanied child refugees in Europe and to opt into EU proposals to share in relocation of refugees across Europe.

6.11.   Autumn Conference 2015 called on the Government to create more safe and legal routes for refugees to seek safety in the UK by significantly increasing the numbers resettled in the UK through UNHCR programmes.

6.12.   This refugee approach is truly liberal – focusing on the most disadvantaged in society who are often unable to speak up for themselves, and campaigning to influence a government that is simply not pulling its weight at a European level.

Economic migrants
6.13.   There is a broad consensus among economists that immigration is a net benefit to the UK's aggregate economy in terms of GDP growth. The OBR estimates that net migration of 250,000 per year boosts GDP by 0.5%. Ironically for the Chancellor part of his lucky improvement in public finance

forecasts in the recent Autumn Statement resulted from higher GDP due to higher than expected immigration. Immigrants are also estimated to have a direct benefit to the public purse as they pay a third more in taxes than they take out in benefits and services. In addition, business leaders often warn of the damage that would be caused if they were not able to use immigrants to fill skills shortages.

6.14.   Despite this, polling shows that most people do not believe that restricting immigration would hurt the economy. Furthermore, people tend to be more interested in the impact on individuals like themselves rather than abstract economic data. From a campaigning perspective, the concerns raised are related to daily life – whereas the benefits we talk about are much more high-level and intangible, which makes them all the harder to argue on the doorstep.

6.15.   People in low-skilled jobs particularly may perceive that immigrants help hold down wages or increase competition for their jobs. People who are more reliant on public services, social housing or the benefits system may perceive strains on these systems partly attributable to additional demand on them from migrants.

Education and migration
6.16.   Liberal Democrats in the coalition also opposed the arbitrary net migration target pursued by the Conservatives, arguing that this was distorting government policy and resulting in detrimental outcomes such as turning away skilled workers that businesses were crying out for and damaging our higher education sector's competitive position in the world by discouraging bright students.

6.17.   Policy Paper 116 proposed improving the visa system to encourage students, tourists and short term business visitors,

taking foreign students out of any net migration target and permitting graduates in STEM subjects to take up relevant skilled employment after graduating. Policy Paper 116 proposed using EU funding to ease migration pressures on local public services.

Migration and Community Cohesion

6.18.   Leaving aside economic calculations, many people also perceive a threat to their culture and identity from migration: what it means to be British. Community relations can be particularly tense where local immigration has been concentrated. This may also link to heightened fears over terrorism and our national security. Government approaches to trying to deal with this, such as the PREVENT counter-extremism strategy, have further stoked tensions.

Questions

12. *Should we seek to strengthen our immigration policies in line with public opinion? Or should be propose the liberal view regardless of potential electoral consequences?*

13. *How exactly do we ensure that benefits to the economy are translated into demonstrable gains for individual communities and/or those who are least well-off or most impacted by some of the drawbacks of immigration?*

14. *How do we deal with the variable distribution of immigrant communities across the country?*

15. *How do we ensure that public service provision is not detrimentally affected by migration?*

16. *How do we develop positions to adequately address the concerns of the public around changing communities and British identity?*

17. *How do we approach doubts about fairness in systems such as social security, health or housing, including concerns over "benefit tourism" and "health tourism"?*

7. Public services: how can we ensure the delivery of better services?

7.1.   The delivery of high-quality public services – including health and social care, and education – is crucial to many of our policy aims. Health and education are dealt with in more detail in sections 8 and 9, but we apply overarching principles to all public services. Party policy aims to drive up standards, integrate services and make them more accessible, improve the response when things go wrong, and ensure that all providers of public services are accountable to their users and the public.

7.2.   Pressure to cut costs will be the greatest challenge public services will face over the next five years in view of this government's spending plans. Although spending on health and school education is protected from the scale of cuts imposed on other departments, demographic and other changes mean that demand is likely to outpace funding growth even in these areas. For the 'unprotected' public services, such as those delivered by local government, that challenge will be huge and progressive year by year, requiring yet more cuts.

7.3.   While our stance on public expenditure as a whole will provide context for how the party responds to these funding challenges, our specific policies must be capable of working – indeed improving services – despite the shrinking funds. Moreover, when we reach 2020, we will face the need to shape policies which deal with the results of spending pressures and how well public services have coped with them.

7.4.   A lack of long-term strategy has bedevilled many public services. Cuts in one year may cause much greater problems in later years. We need longer-term thinking, and a greater focus on joining up the provision of services. Often that means spending more in one year to create a better system, with savings in future years. In other instances, a cut in one service leads to greater demand for another service, which may even be more expensive to provide – for example where cutting community care services lead to more and longer hospital stays.

Questions

18. *Is it time to re-examine overall spending priorities as regards public services? Are there aspects of some categories where we might want to re-prioritise within a departmental budget?*

19. *How can we promote and make common longer-term and wider perspectives? Is there a need for changed structures or can it be done simply by new thinking?*

8. Health: how can we promote and encourage good health and well-being?

8.1.   Britons are rightly proud of their National Health Service. A brilliant idea of the great Liberal William Beveridge, it provides good health care at relatively low cost, and does so in a way that is far more equitable than almost anywhere else in the world. However, it faces huge challenges: health cost inflation is much higher than regular inflation, people are living to older ages, and living with ill-health for longer, and more conditions can be tackled than ever before. People can be kept alive for longer but at an ever-growing cost.

8.2.   NHS staff are in general highly skilled and committed, but morale falls far short of what it should be, and too many are leaving the NHS for other careers or to practice in the private sector and overseas. Health structures have been organised and reorganised many times in recent decades, each time creating costs, delaying improvements and creating a culture of uncertainty. The NHS suffers from the problems of being a very large monolithic organisation, at times bureaucratic and unresponsive, as well as the inefficiencies of being a very large number of local bodies. It should seek the benefits of both: efficiencies and economies of scale, as well as local response to local need.

8.3.   Too many governments have prioritised ideology over patients and health, whether in Labour's PFI drive and commitment to pay private providers more than NHS providers, or the Conservatives' push for ever-expanding private provision. The NHS is not as well integrated as it needs to be: there are gaps between acute hospitals, community care and mental health care, and patients

frequently describe being 'bounced around' the NHS before they finally reach the right location.

8.4.   Liberal Democrat policy on health includes matching the funding levels called for by NHS England, transforming mental health care with waiting time standards to match those in physical health care, introducing a package of support for carers including an annual carer's bonus, and cracking down on bad care, with better pay and conditions for care staff and higher standards for all.

NHS funding
8.5.   Balancing the growing care demands of a rising and ageing population with constrained financial circumstances will remain the biggest single challenge for the NHS over the coming years. The NHS did surprisingly well in coping with its 2010–15 funding constraints, mainly by cost-cutting within the existing system, including freezing salaries, cutting prices paid to hospitals and squeezing management overheads. Hospital productivity rose, and most measures of quality, including waiting times, rates of acquired infections and expressed patient satisfaction, remained positive. There are signs, however, that more recently patients have begun to be affected: A&E waiting times, for example, deteriorated sharply in the winter of 2014–15.

8.6.   Against this backdrop, NHS England said in October 2014 that the service faced a further £30 billion annual shortfall by 2021. It would require a bare minimum of £8 billion additional expenditure, and could save the remaining £22 billion only if radical changes were made in how healthcare was provided, in particular through more emphasis on keeping people out of hospital through care at home and in the community. Although the November 2015 Spending Review announced an £8.4 billion uplift in NHS England

expenditure by the end of the Parliament, this was partly funded by cuts to other aspects of health spending, including public health which in all probability will simply store up problems for the future. The frontloading of the extra spend also means that in the last two years of the Parliament the settlement will be extremely tight once again.

Priorities

8.7.   Social services have not received adequate money, and are not well integrated with healthcare. This has had particularly heavy impacts on the NHS, with people entering hospital unnecessarily, and being kept in hospital for longer than needed because of a lack of alternative provision. Despite significant efforts to improve integration by Liberal Democrats in coalition, in particular through the 2014 Care Act and the Better Care Fund, progress remains slow and patchy. This is expensive for the NHS and bad for patients. Furthermore, the squeeze on local authority budgets means that many private providers are no longer interested in contracting for the prices offered. The forecast increases in the minimum wage/living wage will all also tend to drive up costs in the care sector. Local authorities are now allowed to raise Council Tax revenue to help with the funding pressures but by itself at a 2 % cap this will not be enough. Finding ways of delivering health and care integration without another highly disruptive top-down reorganisation is a central challenge for Liberal Democrat policy in health and care.

8.8.   Despite costing the country over £70 billion a year in lost productivity, benefits and human costs, mental health has traditionally been given a much lower priority than physical health in the NHS. Liberal Democrats made changing this a key priority during coalition and achieved a formal commitment to parity of esteem. This was backed up with a number of more specific achievements including halving the

number of people in mental health crisis who end up in police cells; the first-ever standards of mental health crisis care in the Crisis Care Concordat; initiating a world-leading service to divert people away from prison; setting a zero-suicide ambition; trebling the numbers getting access to psychological therapy; developing a blueprint for modernisation of children and young people's mental health services; and, above all, introducing maximum waiting time standards in mental health. We secured an extra £1.25 billion for mental health in the coalition's last budget and the 2015 Spending Review has committed a further £600 million.

8.9.   Nevertheless, there remains a huge amount of work to be done to deliver the promise of parity for mental health. Mental health treatment is held back by historic underfunding, deep biases in the way the NHS is funded towards acute physical care, lack of interdisciplinary working and the continuing stigma around mental illness. Other aspects of government policy are also harmful from a mental health standpoint, from cuts in public health to clumsy and stressful benefit conditionality rules.

8.10.   Long-term conditions form an increasing part of the overall disease burden and present a grave long-term challenge to the sustainability of the NHS as well as reducing the life expectancy and quality of life of those affected. Rising obesity rates, for example, drive a deeply worrying increase in the number of people with diabetes. Public health policy is crucial to tackling these challenges. Specific issues we will need to grapple with include:

- Diet, including the option of sugar taxes and measures to reduce salt intake.
- Alcohol, with the issue of minimum unit pricing remaining unresolved.

- Smoking, which still accounts for a high proportion of avoidable premature deaths.
- Promotion of exercise, with no evidence of the hoped for-boost from the 2012 Olympics.
- Air pollution caused primarily by diesel engines, a major cause of ill-health and premature death.

8.11.   Health inequality is a serious problem in the UK. It is surely unacceptable that, to choose just one example, there is a 14-year difference in male life expectancy between the richest and poorest parts of Glasgow, only four miles apart. In London, for every stop along the Jubilee Line south and east of Westminster to Canning Town, life expectancy falls by a year.

8.12.   Possibly the greatest health threat to the world over the next 20 years is the spread of resistance to antibiotics and other antimicrobial drugs. Tackling this challenge will require both national and international action, embracing improved prescribing practise, development of new alternative treatments, faster diagnosis, and better public awareness.

Questions

20. *How should the promised NHS efficiency gains be sought, while maintaining or improving services?*

21. *How do we deliver a patient-focused NHS, so that patients have a clearer experience, drawing on all the services they need when they are needed?*

22. *How do we ensure good outcomes for patients at an affordable cost, in a system that is available to all?*

23. *How do we reallocate resources to promote good health and hence reduce the need for expensive services?*

24. *How do we ensure social care services are better able to provide the support that is needed? How do we better integrate social services with healthcare?*

25. *Are major structural changes needed to achieve health and social care integration or should we promote joint budgets, bringing together NHS and local authority spending?*

26. *What are the best ways to make progress towards parity for mental health services?*

27. *What campaigning or other actions would stand a chance of success in reversing unhealthy trends as diverse as obesity and over-use of antibiotics?*

28. *How can we take decisive action to reduce health inequalities?*

9. Education: how can education contribute to liberal goals?

9.1.   Although political debate on education has understandably focused on standards of attainment, and preparing people to succeed in the labour market, there are broader questions about the objectives of education. For Liberal Democrats, education needs to equip people to make the most of their own lives in every respect, not just through paid work but through satisfying relationships, cultural self-development, and contributing to society more broadly than just economically. Indeed, with more and more of the provision of economic goods and services being automated, we need to think about how the young children of today might cope with a world in which human labour is increasingly redundant. Above all, Liberal Democrats want education to allow people to be active citizens in a democratic society.

Standards in England's schools
9.2.   The 2015 Ofsted Annual report painted a broadly encouraging picture of progress in school education in England, with 1.4 million more children in good or outstanding schools than five years before. 85 % of primary schools and 74 % of secondary schools were rated as good or outstanding. Behind this, however, Ofsted identified a worrying regional divergence in performance at secondary level. While 79 % of secondary schools in the south of England were good or outstanding, the same was true of only 68 % in the North and Midlands. Lower attainment by pupils in the North and Midlands does not vary according to levels of social disadvantage, so this cannot simply be attributed to larger numbers of disadvantaged pupils; it must be related to the quality of secondary education. Ofsted highlighted poor school leadership and a lack of political will to challenge it as

key factors, and listed 16 local authorities (13 in the North and Midlands) where problems were concentrated.

9.3.   Aside from national or regional levels of attainments, Liberal Democrats have in particular focused on raising the performance of disadvantaged pupils and closing the 'attainment gap'. This has been a key element of our overall fairness agenda. The main measures implemented by the coalition were the pupil premium, which targeted extra resources at disadvantaged pupils, and the move to the broader Progress 8/Attainment 8 measures to reduce the over-concentration on pupils at the C/D borderline in the older 5 A–C GCSE yardstick (this will take effect next year). The Liberal Democrat manifesto proposed a further increase in the pupil premium for early years education.

9.4.   Most evaluations of the pupil premium have shown it to be effective in closing the attainment gap, although changes in measurement mean it will still be some time before it can be fully assessed. 69.3% of disadvantaged pupils now meet the expected level in both reading and maths at the end of primary school, compared with 62.2 % in 2011. The fact that progress has been much more marked in London than elsewhere raises the question of what we can learn from this.

9.5.   For Liberal Democrats, a major policy challenge is how we build on the successful aspects of coalition policy, while ensuring that all parts of the country are seeing progress. This presents particular challenges for our emphasis on localism where local political failures are at the root of under-performance.

School structures
9.6.   Secondary education is England is now dominated by academies, which comprise 60 % of the total (up from 6 % in

2010). Within this, only 6 % are 'free schools'. Liberal Democrats, while welcoming greater autonomy for schools, have had concerns about academies including the lack of a proper 'failure regime', the absence of a requirement to teach the national curriculum, and the lack of a requirement to employ qualified teachers. Our 2015 manifesto included a package of reforms to address these issues while maintaining the better aspects of the academy system, with a restored 'middle tier' (a level of accountability standing between individual schools and the Department of Education, such as the Local authority). However this will need to be revised and updated in the light of the likely further major expansion of academy numbers under the Conservatives.

9.7.   A particular issue over free schools is their impact on the provision of school places. Around 75 % of secondary free schools have been established in areas where existing capacity already exceeds the forecast need for places. Given that it is expected that total demand for secondary schools will increase sharply over the next 5–10 years, a coherent overall approach to school place provision will be essential. We have proposed that schools should be able to set their own admissions policies, in compliance with the national code, which allows them to specialise in, for example, music or business if they wish to. However the local admissions process to administer the policy and allocate individual children to schools should be carried out by the local authority, rather than individual schools. Similarly, the appeal process against individual allocations should be run by the local authority, again clearly accountable for good performance in this through its inspection by Ofsted

School Curriculum in England
9.8.   The curriculum in schools has been a matter of great political controversy in recent years, with Liberal Democrats

consistently advocating a slimmed down core curriculum to reduce the amount of central dictation to schools. The coalition government conducted an extensive consultation on the curriculum between 2011 and 2014, and a new slimmed down curriculum has been in place since the autumn of 2014. This broadly reflects Liberal Democrat objectives, although we have also called for PSHE to be strengthened into a 'Curriculum for Life' which would include stronger requirements on citizenship, sex education, financial literacy and emergency life-saving skills. The growing number of academies and free schools are not, however, required to teach the full national curriculum – which we have opposed.

Further education in England
9.9.   The 2015 Ofsted annual report was very critical about further education provision in England, finding a slow-down in recent improvements and an overall decline in standards in general FE colleges: 77 % of all general FE colleges were good or outstanding compared with 79 % the previous year. Despite the considerable extra funding and effort put into apprenticeships in recent years, there are still grave concerns about the quality of many programmes. The results of inspections of apprenticeships were described as 'shocking', with too many low-skilled roles being classed as apprenticeships and used to accredit the established skills of employees who had been in a job for some time. The Chief Inspector described the fact that only 5 % of young people go into an apprenticeship at 16 as 'little short of a disaster'. There have, however, been some recent reforms to improve quality, and the roll-out of University Technical Colleges, which Ofsted found it was too early to assess.

Higher education
9.10.   The higher education sector in the UK is globally highly competitive, with British universities better represented in

rankings than any country other than the US. Higher education fared relatively well in funding terms during the coalition, and the new arrangements for student financing have not had the feared consequences of discouraging students from disadvantaged backgrounds. However, there remain serious challenges. Many leading universities remain disproportionately the domain of privately educated students. The new government has decided to freeze the repayment threshold for fee loans, undermining the progressivity of the fees system, and is also cutting the Student Opportunity Fund. There will be further moves towards a market in HE, with scope for the best performing institutions to raise their fee cap. Student expectations are rising but are often frustrated. Spending on HE is higher in many competitor countries, with participation rates in HE being much higher in countries like South Korea. The UK is a major 'exporter' of HE, attracting 12 % of the global market in international students, but this position is threatened by the government's immigration policies.

Culture and creativity
9.11.   Arts, creative industries and culture are both essential for personal fulfilment and quality of life, and crucial to Britain's future economic success. It is important that the education system promotes creativity and is not just about churning out qualifications. Many creative industries struggle with diversity and are heavily concentrated in London, and there is a challenge to ensure that arts and cultural experiences are accessible to all. Some major cultural institutions such as the BBC are under threat.

Questions

> 29. *What should be the objectives of education in the twenty-first century?*

30. *What are the best ways to improve teaching standards?*

31. *What can other regions learn from the higher attainment levels achieved in London?*

32. *How can we make faster progress towards closing the attainment gap?*

33. *Do we need to reconcile the ability to open free schools with the risk of local over-provision? If so, how?*

34. *How can we encourage creativity in our schools and universities?*

35. *Given the major reforms to the curriculum which schools are only just getting used to, should we leave the curriculum as it is for the next few years?*

36. *How can we improve the quality of FE colleges and apprenticeships?*

37. *How can the further and higher education systems meet the aspirations of people from all backgrounds and all ages?*

10. Fairness: how can we foster a more cohesive and equal society?

10.1.   In many ways, the UK is a deeply unequal and unfair society. This unfairness has many dimensions: simple economic inequality, unfair distribution of opportunities, regional imbalances and discrimination against various groups within broader society.

10.2.   Inequality and discrimination are fundamentally opposed to liberalism – as our 2015 manifesto stated, they can hold people back just as much as a lack of legal freedoms. Identifying the full range of inequalities is difficult, and legislation alone cannot fully address these issues; for instance, despite the Equal Pay Act 1970, the gender pay gap is 19.7%.

10.3.   Liberal Democrats aim above all else to build a fair society where everyone has the same opportunity to succeed. Although the extent of income inequality fell somewhat during the recession, the economic recovery together with austerity-led cuts in benefits and public services is now pushing this trend into reverse. With the Conservatives in government alone, concern for the most disadvantaged in society is no longer at the forefront of government thinking.

10.4.   It is important to recognise that inequality does not only harm society's poorer members; there is growing evidence that the more unequal a society is the weaker it is in terms of economic growth, standards of health, education and crime, and levels of trust and co-operation. In short – inequality harms both the individual and society as a whole.

10.5.   Liberal Democrat policy focuses on a number of strands, including reducing inequality and discrimination related to gender, LGBT+ individuals, race and problems faced by BAME people, religion, people with disabilities, and equality and fairness in public services. In government, we legislated on issues such as same-sex marriage, shared parental leave, and increasing support for childcare costs. We also argued for equalities and discrimination to have a higher profile on the international agenda, so that the needs of the vulnerable and disadvantaged were addressed through development assistance.

Economic inequality
10.6.   Having experienced a surge in income inequality under the Thatcher governments which has never been reversed, the UK now has one of the most unequal income distributions in the developed world. People in the bottom 10% of the population have, on average, a net income of £8,468 – the top 10% have net incomes almost ten times that at £79,042. Disposable income levels also vary widely between regions. The UK is the only G7 country to have seen wealth inequality grow over the period 2000–14.

10.7.   The trends in income inequality are largely driven by the move seen in all advanced capitalist economies towards 'knowledge-based' activities. In a knowledge-based economy, the rewards to those with high skills are increasingly great while the market value of low-skilled labour has dropped in relative terms. This is especially true in the UK where the long-term decline of manufacturing and the growth of service-based industry put a premium on professional skills. Education and skills policy, closing the 'attainment gap' between children from different backgrounds, and ensuring that service industries are not too tightly clustered (like London's financial services industry) is crucial to achieving

more equal outcomes in the labour market. Cities and regions need more autonomy over skills, labour markets, transport and the local environment to make them more attractive locations for knowledge-based industries.

10.8.   Rural areas are particularly challenged by the development of the knowledge-based economy and its tendency to concentrate economic growth and high-wage jobs in larger towns and cities. Not only does this cause an economic imbalance, but rural areas can also suffer from a less-skilled, less-affluent and aging population. Investment in high-speed broadband is essential to enable them to participate in knowledge-based industries, but Liberal Democrat policy will need to identify other creative solutions to the problems of rural economic development.

10.9.   However successful we are in are in raising productivity and attracting high-skilled employment, there will always be some people working in low-skilled jobs and others who cannot earn a living due to involuntary unemployment or disability. Government policy instruments such as the minimum wage, tax credits and benefits will determine whether these groups are able to enjoy a decent standard of living and do not fall further behind better-off groups.

10.10. The National Minimum Wage/Living Wage presents a particularly difficult set of issues. The 1998 Act established a rational, evidence-based approach to setting the NMW with limited exemptions (Liberal Democrats opposed the lower rate for under-21s). The Conservative government has attempted to steal a political march by setting an arbitrary, much higher level, while having a large and discriminatory exemption for under-25s. They have also created a serious risk of triggering a political bidding war which could drive the headline rate up to completely unsustainable levels, ultimately doing great

damage to employment prospects for low-skilled workers outside London. Finding a sensible way out of this mess will be a major challenge for Liberal Democrat policy.

10.11. Working age welfare stretches from parental leave to universal credit. Those dependent on welfare will fare badly under this government – this includes not only the unemployed but also the working poor, who benefited from our achievements in raising the income tax threshold but who will now see state support diminish. Disadvantaged young people will be particularly affected, due to the removal of housing benefit for under-21s, without the higher 'living wage' being planned for those aged 25 and older. Despite the government's climb-down on tax credits, they are still committed to find £12 billion in welfare cuts so the pain is merely postponed until the full introduction of Universal Credit.

10.12. At the same time, pensioners do disproportionately well out of the welfare state. Liberal Democrats are proud to have introduced the triple lock for state pensions – ensuring older people are not faced with undue financial pressures. But as the wider population ages and life expectancy increases, there will need to be further examination of the sustainability of universal benefits such as the winter fuel allowance and free television licences.

10.13. At the same time, while there has been a fall in the headline poverty measure, 3.7 million children are estimated by Barnardo's to be living in poverty, and 1.7 million of these are living in severe poverty. This impacts on the child's health, education, and on their **family's** day-to-day lives. The Conservative government began its tenure by scrapping measures of relative child poverty in favour of reporting on worklessness, educational attainment, and addiction. In

response, Liberal Democrats must ensure we have realistic policies to improve the lives of low-income families.

10.14. We will need to find ways to distribute the social security budget more equitably, and to redesign the system to help more people back into work and ensure it treats those dependent on the state more humanely. We will also need to ensure that intergenerational fairness is factored in to discussions on benefits – that non-voting younger citizens are not penalised while democratically-engaged pensioners remain immune.

Discrimination
10.15. Discrimination can be both direct and indirect – in one case, a person is treated less favourably simply because of a characteristic they hold; in the other, an organisation's practices, policies, or procedures have the effect of disadvantaging people with a certain characteristic. It can be the difference between refusing, as a matter of course, to promote someone who is on parental leave, and saying that in order to obtain a promotion all staff must have been at present work for all of the previous six months. All discrimination has a fundamental impact on equality – both of individuals and of opportunity.

10.16. Examples of discrimination can, unfortunately, continue to be found across society in the UK. They can take the form of Muslims experiencing the highest unemployment rates and lowest hourly wages; of trans* individuals experiencing difficulty accessing healthcare and when dealing with the criminal justice system; and women who return to work after taking parental leave unable to regain the same comparative levels of pay as previously received.

10.17. Women are still more likely to have no qualifications than men, in contrast with the situation in higher education, where women have closed the gap on men. Pakistani and Bangladeshi women are less than half as likely to be employed compared with average female employment rates. Poverty rates are higher for children in households headed by someone from an ethnic minority. Material deprivation for disabled people above the poverty line increased since 2010 and the gap between disabled and non-disabled people of working age widened. Perhaps most worryingly, state education has often failed to minimise pre-existing inequalities, rather than minimise them, for example only 15% children in care obtain five or more GCSEs at Grades A* C, compared to 58% of non-looked after children.

10.18. Discrimination thus remains a pernicious issue, and one that is difficult to address through legislation alone. Discriminatory behaviour built up over many years in different communities, countries, and contexts will not be solved by simply passing a law. Enforcement must also be considered – for instance laws against Female Genital Mutilation have been present since 1985, but by March 2015 there had been no prosecutions in the previous 20 years.

10.19. Education, therefore, must be a key aspect of efforts to reduce and remove discrimination – not just for those who practise it, but for those who are charged with halting it. The complex task of sourcing funding, designing schemes which work effectively in the communities they are targeting, and giving them a legislative footing, must all be part of the Liberal Democrat approach.

10.20. The ugly rhetoric regarding immigrants, benefit claimants, and some faith communities shows no sign of abating. While the other main parties vie for votes by

enforcing lines of division, the Liberal Democrats have the opportunity to seek to build an open and welcoming society. The difficulty our policy-making will need to overcome is how to present this in a way that will carry public opinion with us.

Questions

38. *How can we go further in closing the 'attainment gap' for disadvantaged pupils?*

39. *How can we help more people to benefit from the opportunities of a knowledge-based economy?*

40. *How can we spread prosperity across the nations and regions of the UK? How can we in particular enable rural areas to prosper?*

41. *What interventions in the labour market will help to raise incomes and reduce exploitation of workers, without reducing employment?*

42. *What aspects of discrimination law would be best approached culturally and educationally rather than legislatively? Where could these interventions occur?*

11. Communities: how can we foster and strengthen communities?

11.1.   The promotion of cohesive and balanced communities lies at the heart of Liberal Democrat thinking. As the party of community politics, we aim to disperse power and strengthen **communities' ability to** take decisions for themselves. This includes action to promote collective participation and ownership.

Housing

11.2.   It is increasingly accepted that Britain is in a housing crisis. This takes many forms – housing shortages, high prices, low-quality dwellings, and a lack of stable housing solutions for families who cannot afford to buy. All of these are driven by three main factors – a fundamental shortfall in supply of housing, a reduction in average house size (and corresponding increase in number of households), and both international and inter-region migration.

11.3.   The shortfall in housing supply has been a problem since the 1980s. **After Margaret Thatcher's** government came to power in 1979, house completions plummeted from 378,000 a year in 1970 to 183,000 in 1982. As government figures show, the private sector has never come close to replacing local authority building.

11.4.   Over the same period, population changes in the UK have meant that more houses are needed. The population has increased from 52.8m to 64.6m, while average household size has decreased from 3.1 to 2.4 and the number of single-person households has risen from 13 % in 1961 to 31 % in 2011. All of this means that compared to 16.3m households in 1961, there are currently 26.7m households in the UK. In

short, there is a large 'demand gap', with a shortfall in new builds, according to House of Common Library figures, of 130,000 a year.

11.5.   Housing shortages are exacerbated by regional inequality. Internal and external migration forms a further component of this challenge, as people are increasingly drawn to the economic success of London and the South-East. The population of the capital has risen from 6.8 million during the 1980s, to a record 8.6 million last year, and is expected to hit 9 million by 2018/19.

11.6.   In the capital, the average property sold to a first-time buyer in 2014 was 9 times the average Londoner's earnings, indicating the vast majority of the capital's residents are now completely priced out of the market. A similar effect is observable among renters, with the average London rent being just below 50% of the average London wage. Conversely, a failed development in Liverpool recently led to entire streets being sold for £1 per house, and tens of thousands of socially rented homes in the North of England lie vacant.

11.7.   Liberal Democrat policy in 2015 centred on four key priorities. Firstly, there was the promise to increase building to 300,000 houses a year, including ten new 'Garden Cities'. Secondly, we proposed a strengthening of tenants' rights through a banning of 'revenge evictions' and the introduction of multi-year tenancies. Thirdly, we proposed changes to the planning system to enable local authorities and housing associations to build more, and release more unused public sector land for development. Finally, we proposed building these homes in as sustainable and carbon-efficient a manner as possible, including removing exemptions in the Zero

Carbon standard for new homes, and the passing of a new Green Buildings Act.

11.8.   These policies will need review by 2020, as the housing imbalance is likely to have worsened. Though completions are on an upward trend, this remains below what is required, having risen from 129,000 in 2010 to 139,000 in 2014. Additionally, many of the policies the Conservatives are expanding over the current Parliament, such as 'Help to Buy', boost demand rather than supply. The housing crisis is likely to remain with us for some time.

Social inclusiveness
11.9.   Liberal Democrats believe that the differences between people are far outweighed by our common humanity; that we can flourish as individuals and break down barriers by solving our problems together as part of diverse communities. As our 2011 policy paper, *Community Futures*, states: 'Liberal Democrats believe in community and neighbourhood activity as a central plank in a Liberal society.'

11.10. Policies in our 2015 manifesto included supporting social investment and strengthening community rights to run local public services and protect community assets like pubs and libraries. Many of our policies aim to encourage participation in local community organisations such as residents' associations or community-run projects.

11.11. However, to be strong, communities must be diverse and inclusive: we must not allow communities to become divided along lines such as wealth, ethnicity, or religious belief.

11.12. We have also highlighted growing wealth inequality and the potential divisive effects on society. Conservative

cuts to the welfare safety net, such as the benefit cap, exacerbate the pressures that risk producing communities increasingly divided along socio-economic lines.

11.13. The immigration chapter describes the growing public concern over immigration that risks dividing communities along ethnic lines. According to Ipsos MORI, 62% think that immigration is making good community cohesion difficult to achieve, and 70% are concerned that Britain's society is becoming increasingly divided because of immigration. The risk of ethnic or cultural division also exists between more established communities of second-generation immigrants. The foreign-born population nearly doubled between 1993 and 2011 to over 7 million.

11.14. There is also a risk of division along religious lines. Some people contend that recent schools policy has increased this risk, with the New Labour approach of enhancing choice in the school system arguably enhancing the prominence of faith schools. The trend has continued, with the proportion of state funded faith schools increasing gradually since 2000. Non-Christian schools are very much in the minority, but the number has increased since 2007, with the first Muslim, Sikh and Hindu state schools opening from 1998 onwards.

Rural and urban policy
11.15. Liberal Democrats pledged in our Countryside Charter to improve high-speed internet provision in rural areas, keep local services open and secure the future of the farming industry. The challenges faced by rural communities, in the form of pressure on food prices, the maintenance of roads and other infrastructure, and providing internet access, will not go away. Rural communities must retain their fair share of government spending.

11.16. The importance of effective land management, woodland regeneration and water management schemes cannot be overstated. Such schemes are rarely glamorous, but they are vital, particularly in the wake of increasingly extreme weather. As shown by the recent floods, weather conditions predicted to be 'once in 100 years' are likely to occur far more frequently. The creation of flood plains and the management of development on such land need to be examined, alongside assistance for communities affected by such events.

11.17. Liberal Democrat policy for rural areas at the last election included a National Food Strategy, aimed, among other things, to increase the use of locally and sustainably sourced, healthy and seasonal food, including in public institutions like schools and the NHS.

11.18. In urban areas, air quality is a growing issue of concern. With significant parts of urban areas breaching the EU's Air Quality Directive, the public health challenge of cleaning up the air people breathe will continue to be of relevance. Our existing policies, for the creation of Low Emission Zones and the reform of Vehicle Excise Duty to target the most polluting vehicles, could be complemented by further innovation in solving transport problems.

Community economics and participation at work
11.19. In government, Liberal Democrats were able to enact significant change to promote employee ownership while the Conservatives' Big Society concept failed to be developed in policy terms. The challenge for the next decade will be to monitor and promote the success of those models, as well as meeting the parallel challenges set out by government measures to curb trade union activity, technological changes

enabling the 'sharing economy' and develop fresh thinking that can deliver effective co-ownership.

11.20. One of the most contentious areas of employee ownership in the past five years has been mutualisation of public service provision. Liberal Democrats need to consider whether public services can be provided privately – and if so, whether there is any benefit to choosing a mutualised business model in these areas.

11.21. In essence the principle of localism was that instead of a top-down process, communities should be enabled to form themselves and take their own powers. This creates a rolling and open-ended process which develops its own momentum.

Questions

43. *What is the best way to increase house-building in the UK?*

44. *Should local authorities have the power to build and maintain social housing?*

45. *Should we aim to reduce house or rent prices through market intervention?*

46. *How can we boost the participation of all sections of society in community action and decision-making?*

47. *Should we safeguard multiculturalism in the United Kingdom? How can we do this?*

48. *How should we allay public fears around 'ghettoisation' of communities along ethnic lines?*

49. *Should we be concerned about the effect of increasing faith school numbers on community cohesion? If so, what should we do about it?*

50. *Should we support mutualisation of public services?*

12. Liberty and security: how can we create a free and secure society?

12.1.   A central challenge in the next five years will be promoting security alongside privacy and freedom. The creation of a free and secure society is a universal aspiration but it contains a tension. Tightened security can render us less free but absolute freedom rapidly descends into anarchy.

12.2.   Liberals favour freedom. They harbour a mistrust of concentrations of power, recognising the potential for abuse. Many take the words of Benjamin Franklin – 'those who would give up essential Liberty, to purchase a little temporary Safety, deserve neither' – to heart. The old adage that if you have nothing to hide then you have nothing to fear buckles under the weight of historical examples where innocent citizens did indeed have reason to fear their government.

12.3.   Liberal Democrats have been at the forefront of the fight to limit the power of the state to snoop on the online activity of its citizens, vetoing such laws in the last Parliament. Many think the new draft Investigatory Powers Bill goes too far by requiring excessive mass data collection, requiring Internet Service Providers to preserve information on every website that people go to for twelve months, and is too weak in not providing for full judicial authorisation for access to data. Paradoxically, for the government to secure access to data in the name of security may render us all less secure. Insisting that there are hidden 'back doors' by which the state can break encryption may allow unauthorised access to be gained by others, including less benign states than this one. Creating a stockpile of web traffic may provide a treasure trove for hackers.

12.4.   Five key challenges face us in policy on crime, policing and justice. The first lies in dealing with criminal activity at all levels. Crime and the fear of it still blights lives in this country, though overall crime levels are falling. The police have recently escaped further cuts but funding remains an issue, with neighbourhood policing bearing the brunt. How can a localist party seek to preserve that community link? We have already proposed the abolition of Police and Crime Commissioners, advocated the merger of back office functions and of smaller county forces where the community agrees.

12.5.   In a world where crime is increasingly being carried out online, an acute challenge lies in protecting people and organisations from criminals illegally accessing their information, and using it to steal money, information or identities. The Office for National Statistics estimates that there were 5.1 million online fraud offences involving 3.8 million victims, and 2.5 million cybercrime offences, committed from 2014–15. In addition, crime does not respect borders. The renegotiation of our relationship with the European Union potentially places in jeopardy the joint action being taken to combat international crime and particularly people-trafficking.

12.6.   The second challenge is spending money more effectively in criminal justice. The prison population (which stood at 85,847 in December 2015), and the cost of maintaining it (each prison place cost an average of £36,259 in 2014–15), is soaring but so are re-offending rates. For decades, other political parties have tried to be tough on crime and yet ignored the evidence of what works to reduce it. Liberal Democrats have, for example, adopted measures to 'design crime out' of new developments and would widen peer working for those at risk of offending.

12.7. For the convicted, we have prioritised the use of restorative justice, community sentences and intermittent custody on the basis that the rehabilitation of offenders is the best way to stop the creation of more victims. For the incarcerated, there needs to be better through-the-gate support. The coalition government reduced the number of young people in prison (in January 2015, it fell to below 1,000 for the first time for many years), and pledged to reduce the number of women in prison. There is still, however, a disproportionate number of people from black and minority ethnic communities in custody; according to the Young Review, published at the end of 2014, the disproportionality is worse here than in the United States.

12.8. The third challenge lies in dealing with problems more appropriately. The police and criminal justice system is often the agency of last resort, dealing with issues that should be resolved elsewhere. In government, Liberal Democrats supported diversionary schemes for mentally ill people to be dealt with in an appropriate setting, rather than a police cell. We also argued that those caught with small amounts of controlled drugs for personal use should not be prosecuted but diverted into treatment schemes. We would cease to imprison people for simple possession. At Norman Lamb's instigation, a Commission of Experts has now been formed to consider drug regulation.

12.9. The fourth challenge concerns the way in which victims of crime are treated. Many, particularly the victims of sexual offences, have been subjected to a culture of disbelief. That is changing but there is more to be done. We have proposed a national helpline for victims of sexual offending and a single point of contact for those who wish to complain. We would stop prosecuting those who retract their allegations

for fear of reprisals from the suspect. Violence against women and girls remains high despite the progress made by Lynne Featherstone and other Liberal Democrats in the last government in the fight against, for example, female genital mutilation. The Crown Prosecution Service reported an 18 % increase in prosecutions for offences against women and girls during the year to April 2015. The courtroom process can also be daunting for those giving evidence. The challenge in improving the experience for witnesses is maintaining the principle that the accused is innocent until proven guilty.

12.10. The fifth challenge is in maintaining the integrity of the justice system. This is currently threatened in two ways. Firstly, access to justice becoming increasingly difficult. Everyone accused of a crime is entitled to representation, and access to the civil courts is necessary to basic rights. The Legal Aid system remains in a state of crisis with the latest government procurement round and fee cut descending into chaos and legal action. We have advocated better funding of the defence through company director insurance and the use of 'restrained funds' (funds belonging to a defendant but subject to a restraint order because they are the proceeds of crime), but the government has refused to take that course. Secondly, the rights of the accused in criminal trials are under threat. There are calls to limit jury trial and to allow police interviews to take place on the street without a solicitor. There are likely to be more proposals of that nature. The Liberal Democrats may be the only party standing up for the integrity of the criminal justice system and doing what works to cut crime.

Questions

> 51. *Is there a tension between the security of the state and the security of the individual? How can that challenge be addressed?*

52. *Thinking about investigatory powers, how do we boost both freedom and security, and can a reduction in our privacy actually render us less secure?*

53. *In a world of scarce resources, what should we expect of the police and what policing structure is best suited to delivering it?*

54. *Has the time come to call for a reduction in the prison population as a key policy aim?*

55. *How do we reduce offending and re-offending rates?*

56. *What steps can we take to improve the way in which victims of crime are treated and yet still respect the principle that the accused is innocent until proven guilty?*

57. *What should we do to make courtrooms less hostile for witnesses, while preserving core principles of justice?*

58. *Are there things that are presently illegal that should be legal (drug use for example) and are there things that are presently legal that should be illegal?*

13. Britain in the world: how can we create a more co-operative and liberal world?

13.1.   In the globalised world of the 21st century, Britain faces a broad array of complex and transnational threats, from the human and social consequences of climate change to cybercrime, pandemic disease and international terrorism. Authoritarian regimes, nationalist politics and disregard for international norms and the rule of international law are all on the rise. New and old conflicts, compounded by the effects of climate change and by increasingly oppressive state behaviour, have compelled millions to leave their homes creating mass migration on an unprecedented scale. Organised crime and cyber-attacks endanger privacy, prosperity and security, while sluggish growth and volatile commodity prices adversely affect the most fragile states. In addition more traditional security threats from a reassertive Russia pose growing challenges to the UK and our allies in the EU and NATO.

13.2.   Nevertheless, Britain faces none of these threats alone. Each of them affects global and European security as much as our own, and each requires a coordinated response. The opportunities before us are therefore just as plentiful, and merit equal attention in determining the direction of foreign policy.

13.3.   The UK has the opportunity to lead on global implementation of the UN Sustainable Development Goals, both at home and overseas. Britain's sizeable diasporas link it to sixty countries on a people-to-people basis, forty of them outside Europe. The Commonwealth connects Britain to 52 other countries, home to more than 2 billion people living on

all six inhabited continents. British media reach even more, and the UK trades with 233 countries and territories. We can nurture these networks to support developing economies as well as attract talent, expertise and investment to Britain.

13.4.   Despite these obvious strengths in soft power and diplomacy, the UK does not appear to have a clear vision of its place in the world. And to the extent that it does it reflects past rather than present strengths. The threats and opportunities of today's world have mutated and multiplied even since 2001, let alone since 1989/91 and the end of the Cold War. In Tory and Labour hands, our country's ambitions have remained those of a fading global power seeking to shore up its decline – just as they have been since 1945. Yet Liberal Democrats have failed to provide a compelling alternative vision of the UK's place in the world. We are clear that the defence of the realm matters; that engagement in multilateral forums such as the United Nations, the European Union and NATO are crucial to the UK and its role; and we accept that when diplomacy and soft power fail military intervention may be necessary. Yet we have not always articulated our vision of Britain's role in the world clearly. We should address how Britain can best contribute to – and where appropriate lead – the global response to the greatest challenges and opportunities of today. And we should just as seriously consider the need to change how government departments relate and co-operate, including internationally, in order to best deliver on that vision.

13.5.   The United Kingdom has a responsibility to devote itself not to the cause of its own relevance, but to defending and advancing the international liberal order of which it is a crucial part. At the same time, the threats and opportunities Britain faces no longer fit neatly into departmental boundaries. Without a unified strategy for Britain's place in the world, we

risk the possibility that the billions we allocate to our separate projects of defence, development, trade and diplomacy end up poorly spent.

13.6.   Liberal Democrats have always been an internationalist party. Our values and ambitions for Britain's place in the world present a strong foundation from which to formulate such a strategy. We need to set realistic objectives for what Britain should attempt to achieve with its foreign policy, grounded in a pragmatic and cross-departmental assessment of the resources available: diasporas as much as diplomats, allies as much as industries. Although such a review must necessarily address the full sweep of Britain's engagement overseas, some individual policy areas may also need revisiting.

13.7.   Our commitment to international institutions and law is both comprehensive and well tied to a broader sense of Britain's role in the world. The UK's closest partners, who most share our values, are our European neighbours and the English-speaking countries around the world. Any coherent British foreign policy has to start with European cooperation; if our government cannot cooperate with like-minded neighbours, we are unlikely to find easier partners elsewhere. Liberal Democrats will therefore continue to fight to keep Britain not only in Europe, but *leading* in and through Europe. Our ambitions include reforming the EU to make it more efficient, increasing the accountability of its institutions, reinforcing its ability to deal with global challenges, such as climate change, refugees and cross-border crime, and deepening the single market in energy, the digital economy and services. While our campaigning may need to evolve to meet the challenge of the referendum, our policies in this area do not urgently require review.

13.8.   Similarly, we will continue to champion reform within the United Nations and the key international economic institutions, the World Trade Organisation, the International Monetary Fund and the World Bank. We acknowledge that unless global institutions come to reflect the distribution of power in today's world, the present flight of excluded states to regional and alternative forums will only accelerate. In particular, improved international cooperation to combat environmental threats is an urgent priority; the Paris Agreement on climate change agreed in December 2015 needs to be implemented in full.

13.9.   The steady liberalisation and rapid expansion of world trade over the last sixty years has been one of the defining characteristic of the process of globalisation, and has helped spread prosperity to many. Liberal Democrats have always supported an open, multilateral and rules-based trading system, and the removal of unnecessary barriers – such as tariffs – to international trade in goods and services. Yet tariffs have been removed to such an extent in many sectors that the pursuit of further trade liberalisation has come increasingly to overlap with other areas of public policy, such as environmental, health and consumer protection – and governments often assign, or are pressured to assign, a higher priority to trade than to these other policy areas. Concerns have been raised, for example, over the current negotiations on the Transatlantic Trade and Investment Partnership (TTIP) between the EU and US, and while some of these are exaggerated, the secrecy with which such negotiations are usually pursued, and the special treatment often proposed for corporate entities (such as the investor-state dispute settlement proposals in TTIP) raise genuine worries.

13.10. Liberal Democrats in coalition helped ensure that the UK became the first major country to meet the UN target of 0.7 % of GNP in aid. Party policy also includes international action to ensure global companies pay fair taxes in the developing countries in which they operate; building the resilience of poorer countries to resist future disasters; investing in healthcare and infrastructure; eliminating within a generation preventable diseases like TB, HIV and malaria; and continuing to promote private sector economic development, ensuring this benefits local people and small businesses. Liberal Democrats are forward-thinking in conceiving of development as broader than just aid, and in embracing trade, remittances, taxation, and overseas direct investment as key drivers of both equality and prosperity globally. The adoption of the UN Sustainable Development Goals in September 2015 suggests that a review of this policy area would be worthwhile, and there is great scope here for the party to lead the debate.

13.11. We must also acknowledge that despite its vital independence from the exigencies of foreign and commercial policy, international development is also a diplomatic force, affecting our relations with countries, peoples and international institutions alike. Its contributions to diplomacy, and vice versa, could be explored – without subordinating development priorities to our national interest. Government departments other than DFID now manage an increasing proportion of official development assistance. What is needed is a whole-government approach to development.

13.12. To face the new realities, we should review how relevant government departments co-operate. We should build on our work in coalition – such as establishing the National Security Council – to develop cross-departmental responses to complex challenges such as the intersection of

state fragility, climate change and mass migration, and to the achievement of the Sustainable Development Goals – which apply to Britain as much as to the countries that receive our aid.

13.13. In the area of defence, the party is committed to maintain a credible contribution to expeditionary forces, geared towards deterring conventional military conflict. The Government has committed to NATO's 2% target on defence spending which is intended to allow for enhanced capabilities. But this does little to tackle the questions of how the money is spent. Defence procurement does not deliver value for money and large-scale defence projects routinely go over time and over budget. Nor does defence procurement adequately reflect the capabilities of our EU and NATO partners and allies. Streamlined and coordinated defence expenditure could reduce costs and enhance capabilities. There remains though a question of whether defence expenditure is targeted on the needs of 21st century military engagement, which frequently includes training or otherwise supporting the armed forces of other countries rather than traditional ground wars. Alongside the review of the party's policy on nuclear deterrence agreed at Autumn Conference 2015, it would be timely to undertake a broader review of security and defence in light of the propose work on Britain's place in the world.

Questions

> 59. *What would a Liberal Democrat vision of Britain's place in the world look like?*

> 60. *Should we use development funding only for aid and humanitarian relief, or should we also spend it upon advancing international development through trade, diplomacy and defence cooperation?*

61. *Given a marked lack of progress in reform of the UN, should we set less ambitious targets, or should we divert funds from other departments to help the Foreign Office achieve them?*

62. *What changes are needed in defence policy? How best can we tailor our defence policy to reflect and prospective security challenges? To what extent does the UK need to have full-spectrum capabilities and how far are we willing to pool and share capabilities with our partners and allies in NATO and the EU*

63. *Should we spend our international development budget on the countries in most need, or the countries we can help the most?*

14. Democracy: how can we restore participation and accountability?

14.1.   Reforming Britain's political institutions to make them more inclusive, representative and decentralised has been at the heart of the Liberal and Liberal Democrat parties' mission for generations. Progressive extensions of the franchise, reforms to corrupt electoral practices and the introduction of the secret ballot were major Liberal achievements of the nineteenth century; and the limitation of the power of unelected Lords through the 1911 Parliament Act was one of the defining moments of the Asquith/Lloyd George era.

14.2.   In the twentieth and twenty-first centuries, Liberals, Social Democrats and Liberal Democrats consistently campaigned for further modernisation of the political system, including proportional representation, home rule for the nations and regions, a written constitution, votes at 16, and empowerment of local government.

14.3.   There has been some progress on this agenda in recent years. There are now well-established devolved parliaments and assemblies in Scotland, Wales, Northern Ireland and London; there is a Human Rights Act and a Freedom of Information Act; PR has been introduced in devolved assemblies, local government in Scotland, and elections for the European Parliament; the Localism Act 2011 granted local authorities a general power of competence; and a series of City Deals and Growth Deals have passed down powers and funding to groups of local authorities.

14.4.   Despite these reforms, many people feel frustrated and excluded by politics as it is practiced in the UK, with measures of trust hitting all-time lows in the wake of the 2008–09 banking and political scandals and hardly recovering

since. According to the 2014 British Social Attitudes Survey, only 17 % of the public trust governments most of the time, just as only 16 % did in 2009, but far less than the 38 % who did in 1986. Turnout at general elections, while slowly recovering since 2001, is historically low. Between 1922 and 1997 turnout never fell below 71 %; at the 2001 general election it was 59.4 % and in 2015 66.1 %. Support is growing for new political movements whose appeal is at least partly an anti-politics agenda.

14.5.   However there are indications that people remain interested in political issues if not in politics as usual – the same BSA survey found that 67 % of the public had signed a petition, 36 % had engaged in some kind of consumer action (e.g. a boycott), and half said they 'often' or 'sometimes' discussed political issues with family and friends. Even at the level of formal politics, both the Liberal Democrats and the Labour Party have seen upsurges in membership since the 2015 general election; and turnout in Scotland in 2015 was up to 71 %, thanks to the political engagement engendered by the independence referendum the year before.

14.6.   The consistent Liberal Democrat analysis of the barriers to greater trust and engagement in politics identifies the electoral system and campaign financing arrangements as the main culprits. The first-past-the-post electoral system means that many people rightly feel that their vote just doesn't count. In 2015, to elect one UKIP MP it took 3.8 million votes and to elect one Liberal Democrat took 300,000, but to elect one Tory MP took just 34,000 and one SNP just 26,000. The UK is at risk of becoming a patchwork of one-party states, with the Tories totally dominant in the South and the SNP totally dominant in Scotland, even though other parties have substantial support in those areas. Ironically, at the UK level the effect of a rise in anti-establishment parties

may have been refracted by the FPTP lens into a majority for the establishment party par excellence – the Conservatives – who won an overall majority with just 37 % of the vote. Perverse results like this increase cynicism and a sense of hopelessness about conventional party politics.

14.7.   The influence of big money in politics also breeds distrust and disillusionment. Electoral Reform Society research showed that 75 % of the public believe that big donors have too much influence on political parties, and 61 % believe that the system of political funding is corrupt and should be changed. Liberal Democrats have consistently advocated tougher limits on individual donations and lower spending caps, combined with a modest element of state funding.

14.8.   Liberal Democrat policies on political reform were debated in full in 2014, when the party reaffirmed long-standing Liberal Democrat positions on electoral reform, Lords reform and campaign finance, while developing new policies in a number of areas including job-sharing for MPs. In all these areas, policy is up-to-date.

14.9.   One area of policy in which events have been moving rapidly is devolution. Considerable further powers and resources are being devolved to Scotland though the Smith Commission legislation, and to Wales via the draft Wales Bill. This has thrown into stark contrast the still limited amount of devolution within England, and the question of how England-only legislation is dealt with in Westminster. Liberal Democrats view the Conservative approach to the 'English Votes for English Laws' question as opportunistic and likely to increase, not reduce, stresses on the Union. The 'Osborne' approach to a so-called Northern Powerhouse lacks genuine democratic accountability. These are both areas in which

Liberal Democrats will have to develop policy to remain at the leading edge of the debate and be prepared to engage on a cross-party basis. Ultimately we believe there is a need for a UK Constitutional Convention.

14.10. A particularly disturbing development since the general election has been the desire of the Conservatives to capitalise on their majority by seeking to reduce checks and balances on government power and weaken or destroy any independent sources of opposition. In the belief that they are likely to win another majority at the next election, they have proposed a number of changes which would move the UK significantly in the direction of an elective dictatorship, including limiting the powers of the House of Lords, strengthening veto powers over FOI requests, reducing the scope for judicial review, constraining the activities of NGOs and charities and cutting financial support for opposition parties.

Questions

64. *How can we reconnect the electorate with the democratic political process?*

65. *How can we build cross-party support for electoral reform?*

66. *How can we develop our policy on 'devolution on demand' in England?*