

**A Fresh Start for Britain:
Choosing a Different, Better Future**

Policy Paper 94



Contents

Nick Clegg's Introduction.....	4
Change for Real, Change for Good.....	6
Principles for Government.....	7
Public Spending: Our Approach.....	9
A New Sustainable Economy.....	11
A New Fairer Society.....	16
A New Clean Politics.....	23

Dear friend,

Ever since I became leader of the Liberal Democrats I have been travelling the country, holding public meetings, listening and talking to the people I meet. The economy is in a mess, people are losing jobs and everywhere I go, people are angry at the way politicians have let them down.

The two old parties don't really want to change a political system that keeps them in power or challenge the bankers who got the economy into such a terrible mess. The next election will be your chance to tell them they're wrong – your chance to vote for something different.

Many people believed they would get change for the better in 1997. Instead, under Labour, the gap between rich and poor has got bigger, our politics has got even dirtier, our civil liberties have been eroded, the environment around us is in danger and our international reputation is at a new low. Labour let us all down.

The Conservatives say they want change but all they really want is to keep things the way they are. They say they want fairness but demand tax cuts for millionaires. They say they want to protect the environment, but have linked up in Europe with people who deny climate change is a problem at all. They will promise everything and change nothing.

Britain is in the teeth of three crises: a huge banking crisis and recession, a rotten Westminster system abused by too many MPs for personal gain, and the threat of climate change. We need big changes to fix our economy, our discredited politics and our environment, yet both Labour and the Conservatives are letting the City, the House of Commons and polluters off the hook. No action against bankers' bonuses. No action to give people the right to sack MPs guilty of breaking the rules. No action to slash emissions. They say just enough to get in the headlines, but when the spotlight moves on it's back to business as usual.

I believe there's a better way. This country can be fairer, it can be safer, greener, and stronger in the world. Only the Liberal Democrats have the ideas, the energy, and the ambition to provide the new hope the country needs. If that's what you want too, after twelve years of Labour disappointment, turn to us. We carry the torch of progress now.

Despite all the gloomy news, there's still real hope for the future – but only if we make a fresh start. We need strong leadership and a different kind of politics to make it happen. The way things have always been done has got us into this mess, and it will never get us out.

Above all, we must do everything to protect the next generation from the mistakes made today. For me, how we treat young children is the most important measure of what kind of society we want, what kind of values we hold dear.

Even in these difficult times, giving all children from all backgrounds the life chances they deserve will always be my personal priority.

So if you want things to be different, choose a party that is different. Choose the Liberal Democrats.

Best wishes,

A handwritten signature in black ink that reads "Nick Clegg". The signature is written in a cursive, slightly slanted style. The "N" is large and loops around the "i". The "C" is also large and loops around the "l". The "e" and "g" are smaller and more straightforward. There is a long horizontal stroke under the "g" that extends to the left.

Nick Clegg MP

Change for Real, Change for Good

Britain is in crisis, the worst in modern times. People are right to be angry. There is a great deal to be angry about.

The economy is in a mess, but the people responsible are still in charge. The political system is rotten, but the establishment is still blocking change. The gap between rich and poor keeps growing, making British society so unequal that everybody suffers. Dangerous climate change threatens us all, but world leaders won't act.

This isn't just about policies. It is a moral crisis. Labour and Conservative leaders don't want to change a system that has helped them rise to the top, even though it means everyone else suffers.

This is a chance to force change to happen. Labour and the Conservatives have had decades to get things right but chose to look the other way while bankers gambled with people's jobs, and politicians forgot that they should serve the country, not themselves. Meanwhile, they've let levels of inequality grow and allowed climate change to threaten our very way of life. The two old parties have had their chances and failed.

There is only one party that understands the true scale of the mess the country is in, from banking, through politics, to the environment and growing social divisions. There is only one party that is being straight about how we can put things right: the Liberal Democrats.

These crises cannot be allowed to happen again. The old system that created the problems doesn't need to be fixed - it has to be replaced so that our children don't pay the price for today's failures.

If you are happy with the way things are, the Liberal Democrats are not the party for you. If you want business as usual, choose Labour or the Conservatives – we know they won't really change anything.

But if you want things to be different, really different, choose the party that is different – the Liberal Democrats. There is hope for a different future, a different way of doing things in Britain, if we're brave enough to make a fresh start. The Liberal Democrats are ready to make it happen.

Principles for Government

Given the economic circumstances and uncertainty about the state of public finances, it would be utterly dishonest for anyone to claim they know what the next government will be able to afford. The only certainty is that the next government will have to make very hard choices about spending – cuts will be necessary to deliver any priorities.

Many of the changes we want to make to the way the country is run do not cost money – they're about doing things differently. But others do require investment, so we need to be sure the money is available before we start to make promises. With the country's economic future so difficult to predict, that needs to be done as close as possible to a general election.

We therefore make two pledges about any commitment related to money which we will make in our General Election manifesto. First, any new spending will be paid for by a specific cut made elsewhere, to ensure it is deliverable even in these tough economic times. This means we will not increase public spending overall. Second, the tax cuts we propose to help those on low and middle incomes will not be funded by cuts in services, but by making taxes fairer and greener, so that the richest pay their fair share and polluters pay for the damage they cause.

Over the next year, as more detail becomes available about the exact state of the government finances and the economy, we will be able to confirm a full manifesto, built from this blueprint and adapted to the economic circumstances of the moment. We will only include policies in our programme for government once we are certain the necessary resources are available.

But while nobody can yet be certain what the country can afford, we can be certain about the values and principles that will guide us in the tough choices that lie ahead. The priorities which follow, driven by the values we hold dear, will guide our choices about where savings can be made and where new investment and ideas are needed. Unlike Labour or Conservatives, the British people can be certain that any hard choices made by Liberal Democrats will be firmly guided by our values.

Priority 1: Creating a sustainable economy

We will be honest about what the country can afford, and change the system to create a stable economy that keeps people in work, protects and enhances our environment and ensures the mistakes that caused the recession don't happen again. That means:

- Putting Britain back to work and fighting climate change through investment in green economic growth to create jobs, renewable energy, affordable homes and green infrastructure.
- A totally new approach to banking, so that excessive risk-taking by bankers doesn't jeopardise the whole economy again. We will split up the biggest banks, so that high-risk casino banking does not put ordinary people's savings at risk.

Priority 2: Building a fair society

We will empower every individual and community, fighting disadvantage and entrenched inequality. That means:

- Fairer taxes to lift the burden on ordinary people and make sure the richest pay their fair share. We have already set out plans to reduce taxes on hard-pressed low and middle income people - paid for by closing unfair loopholes that increase the gap between rich and poor. Four million more people on low incomes will pay no income tax at all under our plans.
- Giving every child the very best start in life. We want to invest in support for children and young people so that the next generation doesn't pay the price for mistakes made today. Action in the earliest years – like our plan to cut class sizes – is critical to tackling the entrenched disadvantage which takes root in early childhood that so disfigures Britain.

Priority 3: Cleaning up politics

We will promote openness, decentralisation, accessibility and accountability, so that politicians really listen to people, understand and act. That means:

- Cleaning up Westminster. Millions of people are being betrayed - Labour and the Conservatives have gone back to business as usual after the expenses scandal. We will reform expenses, end big donations, elect the House of Lords, cut the power of Ministers, reduce the number of MPs, and give local people the right to sack any MP who's found guilty of serious wrongdoing.
- Fair votes. To deliver the radical shake up that the British people demand, we will make sure every vote counts so that safe seats are a thing of the past and MPs are forced to listen to the people they represent.

Public Spending: Our Approach

We need to ensure that the next generation does not pay the price for the mistakes made by government and bankers today. This requires a clear and convincing plan to reduce public borrowing to prudent levels in a way that allows continued investment where it matters most.

The short-term priority is to fight growing unemployment which requires maintaining government investment. We do not support Conservative proposals to cut spending immediately, as that would aggravate recession, hurt businesses and increase unemployment.

But unlike Labour, we see that once Britain's economy has recovered, we need extremely strict and continued discipline over public spending to reduce public borrowing to prudent, sustainable, levels.

In order to ensure continued investment in key priorities, we will identify big areas of public spending where long-term savings can be made such as:

- The centralised state - removing the bureaucracy of Labour's centralised command-and-control state, and proliferating quangos and databases.
- Defence procurement – there should be no like-for-like replacement of Trident.
- Public sector pensions – we will honour all commitments which have already been made but examine ways to keep the cost of future obligations, particularly to the higher paid, under much tighter control.
- Higher education – while we need to make admissions fairer, we do not believe that the arbitrary target of expansion to 50% of young people going to university is achievable or affordable.
- Tax credits – these currently extend to high earners, which fails to put the resources where they are really needed, and the system is far too complex.

A Fresh Start for Britain: Liberal Democrat Policies

The rest of this document sets out Liberal Democrat policies in our three priority areas: creating a new sustainable economy, building a fair society and cleaning up politics.

Those policies which require public investment will only be introduced as and when resources can be identified by cutting public spending elsewhere. We will publish detailed costings to demonstrate how to pay for all our policy priorities without increasing public spending at the time of the General Election.

The manifesto will be a fully costed programme for government, so any policy for which resources cannot be identified will be excluded.

A New Sustainable Economy

Britain has experienced a severe financial and economic crisis. This brought the banking system close to collapse and produced severe recession including rising unemployment. The crisis is global but the Labour government made bad decisions. It allowed household debt to spiral out of control together with a massive housing bubble. The country has lived beyond its means. Ordinary families are paying the price for mistakes made by politicians, regulators and bankers.

Labour refuses to acknowledge that tough choices in the medium and long term must be made to balance the books if we are to protect key services. They have announced plans that will lead to serious cuts in public investment, while even denying that they are making cuts at all. The Conservatives are preparing to slash and burn public spending through back room deals while the country is still in the teeth of a recession. At the same time they have made it a priority to give tax cuts to the super-rich.

We need to ensure that the next generation do not pay the price for the mistakes made by politicians and bankers today. Only the Liberal Democrats have a clear plan to pay off the public debt in a way that allows continued investment where it matters most.

Britain's long term economic future has to be set on a sustainable path. That means not just repairing the public finances but developing a savings culture. The country cannot live beyond its means. That applies, too, to the environment; the country cannot continue to plunder the natural world and impoverish future generations.

The financial crisis is not the only grave threat the world is facing. Climate change poses a dramatic and dangerous challenge. So a Liberal Democrat economy will also be different because care for the environment will be at its heart. Today's economy is not sustainable. There may be only a few years in which to change habits and avert disastrous climate change. Yet even when people want to act to protect the environment, the current system often forces them down paths which are cheaper in the short-term but ultimately more costly.

Government should help people to use clean and green options for energy and transport. It should also use green policies to improve people's daily lives now. Such measures can cut fuel bills through energy efficiency in homes, deliver jobs now, boost renewable energy, and improve public transport.

Putting Britain Back to Work

Creating jobs - Now is the time to sustain investment to get people back to work and make Britain greener. The current economic situation is hitting young people especially hard. To stimulate the economy and create jobs, Liberal Democrats would shift money from low priorities, and use asset sales and get utility companies to pay back unjustified subsidies, in order to support capital spending in areas like building new affordable homes that meet high environmental standards, renewable energy, and insulation of homes, schools and hospitals.

Investment in green infrastructure – Long past the current recession it will be necessary to construct and pay for big, environmentally friendly infrastructure projects - like major railway developments and marine renewables - which will not be financed privately, especially with the collapse of the PFI model, and which government will find difficult to finance via public

A Fresh Start for Britain

borrowing. We need imaginative new financing mechanisms like levies on land values along the route of rail projects; auctioning of scarce resources - like airport landing rights; and special bond issues for long-term investors. We envisage a National Infrastructure Bank modelled on the European Investment Bank to make major investment in projects like Severn Tidal Power and High Speed Rail.

Getting the Economy Back on its Feet

Sorting out the banks – It was necessary to stop the collapse of the banking system. But the banks which have been nationalised or guaranteed by the government must be required to act in the public interest. The priorities are to make credit available for good, solvent, British companies; to stop the banks dodging British taxes; and to manage the banks under public ownership until they can be sold, the long term, to realise the maximum value for the taxpayer.

In order to provide long term stability and to prevent another banking collapse it is necessary to split high street 'utility' banking from investment banking; to outlaw the bonus culture which rewards short term risk taking; to apply restraint to public sector "fat cat" salaries; and to ensure that banking is carefully supervised and regulated to protect the consumer and the taxpayer. We will also break up the failed banks in public ownership, and forge them into an effective and diverse local lending infrastructure, focuses on the success of local economies, and capable of accelerating a real recovery based on thriving local enterprise.

Long-term stability – We can't allow the economy to get itself into such a mess again. We must make sure that the type of economy which emerges from the current recession is different and better – not just a return to business as usual.

We will strengthen the economy by making the Bank of England take house prices into account when setting interest rates. We will make sure the public finances never get so out of control, with independent auditing of spending rules.

Boost the skills of the workforce – Now is the time to give British workers the skills they will need to compete in the future. We will strengthen Adult Apprenticeships by fully funding the off-the-job training costs of apprenticeships. It is also vital that the Government ensures a significantly increased supply of graduates and postgraduates in science and technology subjects and school children with mathematical literacy.

Reforming the Tax Credit system and reducing child poverty – The tax credit system is overcomplicated and extends too far up the income range. It should concentrate on the aim of cutting the number of children in poverty by increasing the child element in tax credits. We will also return to fixed term awards of six months to reduce the cost of bureaucracy and the uncertainty around over and underpayments. Some of the savings would be used for a 'pupil premium': paying schools more to take pupils from disadvantaged backgrounds.

Rebuilding local economies – Lasting economic recovery depends on strong local economies allowing small and medium sized business to flourish and grow, supported by local government. Liberal Democrat Councils are leading the way in developing business-friendly initiatives to combat the recession locally. We would encourage the rebuilding of local banking and lending infrastructure which is so effective in Germany and the USA but which has been allowed to dwindle here. We envisage and will promote a varied ecology of businesses including new

mutuals, credit unions, social enterprise and cooperative ventures; drawing on the energy and commitment of communities.

Fair fuel prices – Surging energy prices can cause great hardship. At present, energy companies charge people less per unit the more energy you use. This is crazy. It is also made harder for struggling families to afford their bills because of the complicated tangle of different tariff schemes. We will require energy companies to charge families less for a basic amount of energy used, to encourage responsible energy use. We will also introduce a fair social tariff system for disadvantaged families. We will roll out smart meters to all households within five years.

Standing up for savers – Millions of people who saved in the boom years and did not get into debt are now suffering from low interest rates on their savings. We want to offer pensioners an opportunity to earn a risk free, satisfactory return, tax free, on government bonds which would be used to finance the country's infrastructure for the future. These could be available in NS&I, eliminating excessive bank charges.

Meeting defence commitments at home and abroad – With increasing overseas commitments, British troops are overstretched; we should not be cutting the size of the armed forces whilst asking them to take on ever more difficult tasks. By undertaking a radical review of equipment procurement, giving Britain a leading role in European defence co-operation, and the restructuring of the armed forces, we expect to be able to invest more in training and equipping the forces. While we would retain a strong commitment to justified military intervention, our foreign policy must be set within realistic parameters for what Britain's armed forces can do. We will conduct an immediate Strategic Security and Defence Review to ensure that Britain is facing the real threats to its security and equipping the nation accordingly.

Britain's cold war-era Trident nuclear weapons system is due to go out of service in 2024, and the Government plans to replace it with an equivalent submarine based system. This would in the long term cost the country around £100 billion. We do not believe that a 'like for like' replacement of Trident is either financially realistic or strategically necessary in the post-cold war world. While seeking to negotiate towards a world free of nuclear weapons, we will consider a range of other options for Britain's minimum nuclear deterrent if it should prove necessary to maintain one beyond 2024.

Low pay and National Defence – In a world of severely restricted public finances it will be necessary to cut the pay of highly paid public servants as well as the numbers. But some categories of public servants require more, not less. The pay for young soldiers risking their lives for this country is shockingly low. We will develop a cost-neutral plan to bring the pay of junior ranks into line with that of police constables and fire-fighters. These measures would be paid for by cutting MOD bureaucrats and reducing the number of top brass officers. We would also double the programme for refurbishment of forces family housing.

Affordable Housing

Provide thousands of new social homes to rent – Government policy over the last few years has left us with an unbalanced housing stock and a dangerous bubble in house prices. Future policy must pay more attention to those who wish to rent privately or need social housing. We will invest in new social housing above existing government plans and bring every social home up to the Decent Homes standard within two years. With 1.8 million families waiting for social housing, it is

A Fresh Start for Britain

a scandal that almost 1 million homes sit empty. We will provide low interest loans and change VAT rules in a revenue-neutral way to make it easier for empty homes to be brought back into use for social housing.

Make reposessions a last resort – We will empower courts to enforce a statutory Code of Practice to ensure that repossession is the last resort for borrowers in arrears. We will also allow people with money tied up in pension funds to draw their lump sums early if they need the cash now to meet mortgage repayments.

Warm homes for all – Too many people still struggle to pay excessively high fuel bills, and Britain has some of the least well insulated homes in Europe. Only one home in every hundred is energy efficient after many years of failed government programmes. We will launch a ten-year programme to offer the opportunity for every home to be a warm home. We will make available 'Green Loans' to encourage people and communities to invest in renewable heat, home energy efficiency and micro-renewables – paid off through future energy bills – and ensure all new homes are energy efficient. We will also require energy companies to fund energy efficiency improvements for poor households. These actions will curb Britain's carbon emissions as well as tackling fuel poverty.

Sustainable Energy

No to nuclear, yes to renewables – We oppose construction of further nuclear power stations. More nuclear power will soak up subsidy, hinder development of Britain's vast renewable resources and increase global security risks. Instead, Liberal Democrats will use guaranteed prices for renewable energy to drive investment in renewable sources such as wind, wave and solar. We will also transform the National Grid into a smart grid which will respond dynamically to the changing patterns of energy demand. Smart metering and guaranteed prices will also unlock the potential of local and community energy generation.

Making the transition to a Zero-Carbon Britain – We are the only party to aim for a Zero Carbon Britain where we absorb as much carbon as we emit by 2050. We will provide incentives for renewable technologies. Increasing investment now in the green technologies of the future could deliver hundreds of thousands of jobs in the years to come, in sectors like green energy, home insulation and transport. We believe the European Emissions Trading Scheme can be a major lever for promoting low carbon technologies, but it needs to be tightened up to price carbon effectively. We need mandatory carbon reporting and EU-wide emissions standards for energy generation - to prevent new dirty coal stations such as Kingsnorth being built with out full carbon capture and storage. A zero-carbon Britain will also be an energy independent Britain, not reliant any one foreign source.

A global lead on climate change – We must work more effectively with other countries to tackle global warming. To do this we must begin by setting the example within the UK. We will provide leadership for an international framework that will enable each country to managing an equitable transition to a low-carbon economy based on historical and future emissions responsibilities. We will prioritise achieving a global agreement in Copenhagen on a more ambitious set of targets for the second commitment period of the Kyoto Protocol and beyond.

Fast and Sustainable Transport

A renaissance for rail – The rail network is a national embarrassment. We will launch a massive programme of line reopening, new stations and capacity improvements. We will fund these improvements through a Future Transport Fund, paid for by a per mile charge for lorries (including those from overseas), and through greater investment from train companies in return for longer franchises. We will build a High Speed rail network, beginning with a line to cut journey times dramatically to Scotland and the North of England. Ultimately, the whole of Britain should benefit. To promote sustainable freight transport, we will ensure good rail paths on key strategic freight corridors.

Fairer, greener motoring – We will bring in a fairer system of taxation on driving with better rewards for responsible car use. We will work towards introducing revenue-neutral road pricing on motorways and major trunk roads to replace VED and reduce fuel duty. This will in particular help those in rural areas who have no alternatives to road travel. We will work through the EU for a zero emissions target for all new cars by 2040 and we will extend targets to other vehicles. We will end motorway widening schemes.

Better local transport – Instead of Labour’s major new road building plans, we will invest in sustainable public transport. We will give local councils the power to set high standards for their local bus services. Local areas would also be able to bid for funding for sustainable transport improvements, such as new bus routes, trams and safe cycling and walking, from the Future Transport Fund.

No expansion of Heathrow – We will reverse the Government’s plans to build a third runway at Heathrow and will oppose any expansion of airports serving London and the South East of England (including The Mayor of London’s Estuary Airport). We will replace Air Passenger Duty with a per plane Aviation Duty on both passenger and freight flights, based on the total emissions of the flight rather than the number of passengers. This will penalise empty flights and give airlines incentives to fully load planes. To encourage the use of High Speed Rail rather than internal flights, we will introduce a domestic flight supplement to Aviation Duty for domestic flights, excluding lifeline flights.

A New Fair Society

The quality of life that people enjoy in Britain today is so much less than it could be. Looking after children can be a real struggle, from keeping up with childcare bills to the stress of finding a school, and then saving for university. A life of hard work doesn't guarantee a comfortable life in retirement. We're all proud of the NHS, but we need to organise it better and more effectively to make improvements. Many people don't feel safe in their home or their neighbourhood.

British society is deeply unequal, with a larger – and widening – gap between rich and poor than in almost any other EU state. Levels of inequality like this are bad for everyone, rich as well as poor: unequal societies suffer from higher crime rates, worse standards of health and lower levels of trust and neighbourliness. We are committed to reducing this income gap and creating a fairer and more equal society.

If we are going to really change Britain, we need to make the tax system fairer. Britain suffers from a deeply unequal society, where the gap between rich and poor is widening and social mobility is falling. We want to narrow the gap and reduce inequality by cutting taxes on the earnings of low and middle income families, paid for by reducing tax reliefs and closing loopholes which favour the wealthy. The Council Tax is an unfair tax which bears no relationship to the ability to pay. Liberal Democrats believe that it should be scrapped and replaced with a fair Local Income Tax.

At the root of these problems is a self-interested political establishment that puts big promises and top down control ahead of empowering people and communities to design their own solutions.

Liberal Democrats are different: we want a society that gives people more power to shape their lives, that doesn't make people who need help struggle with a complex bureaucracy, and which values access to open spaces and harmonious communities more than merely statistical targets. We oppose all unfair discrimination on grounds such as age, gender, sexuality, ethnicity and physical or mental ability. We are also committed to the goal of ending child poverty by 2020.

Because we believe everyone should have good opportunities, no matter where they were born, or who their parents are, we'll invest in helping people from every background to get on. We will focus on what actually works to cut crime, not on what sounds tough, giving victims and local communities a major say in punishing offenders. We'll free professionals in the NHS and Schools to work with patients, parents and students to give them the personal support they need. And we'll help everyone to enjoy the natural environment.

Powerful local communities are the bedrock of the nation. They make the difference between high and low crime, between local enterprise and local economic collapse, between isolation, health and well-being. Neighbours, families and friends are the engine that educates children, looks after old people, and makes places work, and they do so in their millions every day. But neighbourhoods have been patronised, neglected and disempowered by successive governments, Labour and Conservative. Local shops, banks and post offices have been allowed to close, playing fields and homes for rent have been sold off, just as hospitals, police stations and courts have been made more remote.

Fairer Taxes

Tax cuts for low and middle income families – People on middle and low incomes are being hit hardest by the recession. Our revenue-neutral plans would take the pressure off them and boost the economy with big, permanent tax cuts. We will ensure that no-one pays income tax on the first £10,000 of their income. Over four million more of the poorest people would pay no tax at all. Everyone who currently earns above that level, up to £100,000 a year, would be £700 better off every year. We will pay for this in full through tough action to close the loopholes that allow the richest few to avoid paying their fair share. We will limit tax relief on pension contributions to the basic rate, tax real capital gains in line with income, close loopholes for non-doms and large businesses, crack down on tax avoidance, and make polluters pay for the damage they cause.

The Best Deal for Families, the Best Start for Children

Universal childcare – Parents need an affordable way to spend time with their children in the early months, and a manageable route back into work or education when they choose - at the moment, many parents who want to work can't afford to because good childcare is so expensive. We want to enable parents to spend more time with their children when they are very young by introducing nineteen months' paid parental leave to be shared between parents. We will increase support for young families by introducing a universal entitlement to free childcare, for all children from 18 months to when they start school.

Cut class sizes – The early years of a child's life are the most important. Young children need a lot of attention from their teacher, if they're going to get the best start at school. England has some of the largest class sizes in the developed world, making it difficult for teachers to give their pupils that much-needed attention. We will give schools extra cash so that class sizes for 5-7 year-olds can be cut to private school levels of only 15 children, paid for by abolishing the Child Trust Fund.

Pupil Premium – How you do at school is still far too often determined by how rich your parents are and where you grow up. The poorest children fall behind before they even start school and often fail to catch up. We want to break the link between social background and academic performance so that all children have the opportunity to get on in life. We will introduce a new Pupil Premium, giving extra money to schools for each pupil that they take from a disadvantaged background. This would increase the funding put into the education of a million pupils to private school levels. Schools would be able to use the money for things like one-to-one tuition and catch-up classes so that standards improve for everyone.

A curriculum relevant for all – The National Curriculum is too rigid and fails to engage and motivate too many children. It doesn't fully stretch the most talented or cater for children whose skills are more practical. We will create a new "minimum curriculum entitlement" that demands more from the most able children and bridges the gap between vocational and academic qualifications. We will create a General Diploma which will use GCSEs and A-Levels and high quality vocational qualifications as building blocks, enabling pupils to mix quality vocational and academic learning. If a college offers a more suitable course for a 14-19 year old than their school, they should have the right to study there.

Freedom for all schools – Only a small number of schools have real freedom to work creatively to drive-up standards, simply because they are academies. We will create a level playing field for all schools – they'll all have the "freedom to innovate"; they'll all have fair admissions and funding; and they'll all be overseen by the local authority which will have the power to commission or open new schools. Academies would be replaced by our own model: Sponsor Managed Schools. They'd

A Fresh Start for Britain

be commissioned by and accountable to local authorities not Whitehall, but would still allow other providers, such as educational charities, to be involved in delivering state education.

Freedom for teachers – Teachers are struggling to do the best for children because of constant Government meddling and paperwork. Liberal Democrats believe that all schools should be free to work creatively to get the best from all children, instead of being distracted by government initiatives and gimmicks. We will pass an Education Freedom Act banning politicians from meddling in the day to day life of schools and create a fully independent Education Standards Authority. And we will reform league tables to prevent schools concentrating too much attention on those pupils just below the C grade threshold.

Improving after school activities for young people – We will create a Youth Volunteer Force to make positive involvement with the community more attractive to young people under 18. Funding for out of school activities for all young people should be merged into one easy-to-access fund. We would give young people a say over where the money should go through local Youth Councils and the Youth Parliament. We will also give priority to keeping playing fields, including by closing loopholes which currently make it easier for them to be sold off.

Learning throughout Life

Scrapping tuition fees – These days, people are graduating from university in mountains of debt. This is crazy – it's hard enough for people to get on the housing ladder, save for the future, and even make ends meet. We will abolish tuition fees for students taking a first undergraduate degree whether full or part-time. This would reduce debts by about £10,000 for each and every student, and recognise the value of education to society as a whole. We will reform the bursary system to reward people who take up strategically important but currently unpopular subjects like science. We don't support the government's arbitrary target of 50% of young people going to university, when other options like apprenticeships and work-related training would be better for many people.

A boost for adult learning – It should never be too late to go back to college to better yourself, but funding cuts have made it far too expensive for many adults who want to learn. We will give extra funding to Local Authorities to spend on Adult Community Education. We would also remove all fees for adults studying for a first level 3 qualification such as A-levels and NVQs.

Helping Pensioners and People with Disabilities

Fairness for pensioners: uprating the State Pension – We will immediately link the state pension to the higher of rises in average earnings or prices, so that pensioners have a fair share in the future wealth of the nation.

We will also work to create a Citizen's Pension within two parliaments that is set at a more generous level and based on residency not outdated National Insurance contributions which penalises women and carers disproportionately. This would take over a third of pensioners off means-testing, ensuring that private saving is worthwhile for everybody.

Help for Equitable Life pensioners – A million people lost out in the collapse of equitable Life. We will seek to implement in full the proposals of the Parliamentary Ombudsman for compensation.

Reform the Winter Fuel Payment – We will help severely disabled people of working age and the terminally ill with their fuel bills by giving them the Winter Fuel Payment.

Health for All

Guaranteed treatment – We will guarantee every citizen access to a high standard of core healthcare entitlements within maximum waiting times. If the waiting time was not met, the NHS will pay for you to be treated by a private sector provider.

Help with care costs – We will make a 'universal care payment' based on an individual's need, not their ability to pay, for those aged over 65 who require personal care (such as help with dressing and bathing). We would slash care costs for many people and guarantee a minimum standard of care for those who need it.

Value for money in the NHS – There has been a big increase in government spending on the NHS which we welcome. There remain areas, like mental health, which have been neglected and deserve more resources. But there is also waste, inefficiency and unnecessary bureaucracy in the NHS which we would cut; and areas of health spending like NHS IT schemes which believe cannot be justified.

Free the NHS from Government meddling – We will end Government meddling in the NHS. Letting staff get on with their jobs will lead to shorter waiting times, cleaner hospitals and more personalised care.

Mental health – Mental health services have been treated as a poor relation by Labour, with unacceptably long waiting times. We will invest in effective cognitive and behavioural therapies for appropriate conditions to treat 800,000 people per year, allowing those people to return to work much more quickly.

Access to health care – We will bring forward further proposals in our general election for improving access to health care.

Public health – Despite the importance of tackling obesity, alcohol abuse and smoking, public health has not been given the priority it deserves. We would give the Secretary of State for Health the task of making public health a priority across all government departments. We will introduce measures to tackle the growing problems of alcohol abuse, including increasing funding for alcohol treatment services, paid for by the drinks industry, and providing parents with resources to help them teach children about responsible drinking. We will increase the support to parents from health visitors to improve the diet and well being of children to help tackle childhood obesity. We will invest more in services to help people give up smoking, which are the most cost-effective of any health care treatment.

Environmental pollution is also a killer - 24,000 premature deaths are caused by air pollution in the UK every year. We will ensure that the UK complies fully with air quality standards for dangerous airborne particles and nitrogen dioxide by 2012.

Tackling health inequalities – It is a scandal that inequalities in life expectancy and standards of health are still growing in Britain today; men living in the richest areas can expect to live more

than ten years longer than their counterparts in poorer localities. This is the result of poverty, unemployment, poor diet, bad housing, pollution and income inequality. The Liberal Democrat commitment to tackling these problems will create not only a fairer and more equal society but a healthier one too.

Making Public Services Deliver for Local People

Give local people real control over the NHS and Policing – Too often decisions are taken to shut hospitals or police stations, where nobody asked what local people thought, or nobody listened to what they said following sham consultation. We will set up elected local health boards and police authorities that will be accountable directly to local people for their decisions.

Making public services more human and accessible – Government agencies are less local, less accessible and less human because of the targets regime. We will launch a standard for all government organisations which deal with the public, which will give customers easy access to a human being capable of solving their problem. This will, in itself, hugely reduce the waste in the system. We will also insist that essential government services should be accessible for free by mobile phone.

Making Britain Safer

A life away from crime – Diversionary activities are one of the most important factors in stopping vulnerable young people from embarking on a life of crime. Our policies for improving activities and facilities for young people (see *Improving after school activities for young people*, p.18) will make a big difference to their life chances.

Catching more criminals – It is a disgrace that only 1 in 100 crimes results in a conviction in court. Liberal Democrats will make policing better and improve detection rates. We will recruit up to 10,000 more police officers and will cut police red tape. We will reform the police to make it easier to remove corrupt or inefficient officers and make police chiefs more accountable to the local community for the efficiency of their services. We will set up a National Crime Reduction Agency to test what works to cut crime and spread the best ideas across the country.

Make the streets safe – Too many young people are carrying knives and being caught up in violent crime. We would ensure the police have information from hospitals about the locations where knife and gun shot wounds are inflicted to help them pinpoint crime hotspots – and then do extensive stop and search in those areas. And we'll do more to keep younger children off the streets and away from gangs with early intervention and more activities to keep them out of trouble.

Make offenders make amends – Criminals should be punished, but the most effective punishments are the ones that stop people offending again. We'll put small time offenders – like vandals, young troublemakers, first-time shop lifters – in front of a panel of people from their community. That way victims and local people will get a direct say in how people are punished. We support hard work community punishments, where offenders put back into the community that they've damaged.

Many criminals need to be sent to prison, though. So we will make prison work. We will reform prison to increase education, training and paid work in prison without increasing the money spent

- with prisoners paying into a generous compensation fund for victims. Instead of building new prisons we will treat drug addicts and the mentally ill in more appropriate accommodation.

Finally, we'll make criminals face up to what they have done with what's called 'restorative justice', where the victim – if they want – can confront the person who did them wrong and make them explain themselves. It's been shown to make a real difference in helping victims cope with what happened to them – and in stopping criminals committing more crimes.

Defeat terrorism and extremism – An important part of the fight against terrorism is to prosecute and convict people who plot attacks. So we will make it easier to prosecute terror suspects. We will reduce the maximum period of detention before charges are brought, from 28 to 14 days. We will allow intercept evidence in court, and make more of post-charge questioning. We will reach out, beyond the self-appointed community leaders to individuals in the communities most at risk to effectively prevent the radicalisation of young people. This is a vital part of defeating home-grown terrorism.

Immigration and Asylum

Controlled immigration and a welcoming society – Migrants make a very positive contribution to Britain's economy and society, but it's hard for people to have faith in it when the government's lost control of the borders. That makes society more fearful and less welcoming even of refugees fleeing torture and war.

We will take control of The UK's borders by reintroducing entry and exit checks and giving police powers to the Border Force. We will crack down on unscrupulous employers and people traffickers. We will help families who want to work and pay taxes, but came here illegally years ago, by allowing them to earn citizenship. They'll have to work, speak English (or Welsh in Wales) and commit to the UK for the long term.

We will reduce the cost to taxpayers of the asylum system by allowing applicants to work rather than living off benefits, and by sharing the burden of supporting refugees among the European Union so Britain doesn't take on more than its fair share. We will defend the established freedom of movement between Britain and the Republic of Ireland, currently threatened by Government proposals.

A Green and Pleasant Land

Protecting the natural environment – Human survival depends on maintaining the complex balance of nature, including the diversity of plant and animal life. We will start a national research programme to set guidance on environmental limits, give local authorities a duty to protect local biodiversity. We'll promote schemes such as a 'Green National Grid' to link up habitats of rare species, giving nature a chance to adapt to climate change.

A countryside for everyone – Everyone should be able to make the most of Britain's countryside - from country walks to camping, mountain climbing and enjoying lakes, rivers and canals. We'll enshrine that right of responsible, managed access to the countryside in law.

Bringing services within reach – We will ensure people living in rural areas have public services they can access. We'll keep Post Offices open where they're needed in small communities and

A Fresh Start for Britain

support development of a PostBank through that would be raised by selling a minority of shares in Royal Mail. Bus services can be improved by giving local people more of a say over routes and fares. In remote and rural areas a car is a necessity, not a luxury, so we'll reduce fuel tax in these areas and reduce road tax by 50% for all but the most polluting cars. We support rapid extension of the next generation of broadband, so that the whole country has access to the opportunities it provides.

A place to live for rural communities – Rural housing problems can be devastating to otherwise vibrant communities. In some areas second homes have made these problems much worse, damaging the social fabric of communities and imposing additional burdens on the council taxpayer. In areas with demonstrated housing shortages, we will give to councils powers to limit change of use to second homes and to raise money from second homes to pay for the impact on the communities in which they exist. We will also promote schemes such as Equity Mortgage affordable homes. We will give particular emphasis to improving the energy efficiency of homes in the rural areas.

Helping farmers protect the countryside – Farmers do a lot to make the countryside beautiful and keep it healthy. We support the move from the EU to stop giving farmers handouts for just producing food, and start paying them for protecting the environment as well. We'll help farmers grow sustainable 'bio-energy' crops that can be used for fuel with long term targets for renewable fuel, and new rules to make sure this fuel is sustainably produced and transported. And we will help farmers get into bio-digestion of crop and animal waste to create gas for everyone by supporting capital investment in the digestion plants.

Sustainable food, fair prices – Farmers who work hard to grow and raise food and look after the land deserve a fair deal and a decent income. And shoppers deserve good quality food at affordable prices. We'll make sure everyone – farmers and shoppers - gets a fair price by creating a legally binding supermarket code, enforced by a powerful independent Food Market Regulator.

A New Clean Politics

Britain's political system is rotten. The way Britain is run means the Government doesn't have to listen to you – one party can get control over Parliament even if less than a quarter of people support them. Some arrogant and unaccountable MPs think they can take the system for all it's worth. Neither of the old parties will change the system because it suits them all too well. At the same time, your privacy's being undermined. There are plans for intrusive ID cards, and the Government snoops into people's lives while making it hard for anyone to find out what it is doing.

Liberal Democrats are different: we want to put the people back in charge and give this country the quality of government it deserves. We are instinctive defenders of the ordinary person against the over-mighty and over-intrusive state, and have lead in the way in calling for reform of expenses.

We'll give you a fair voting system so everyone's opinion counts equally. We will stop the minority of MPs who abuse expenses – and stop big donations too. We'll introduce a Freedom Law to protect your privacy and stop ID cards.

Internationally, we will put cherished British values - fairness, internationalism and the value of human life – at the centre of our response to the challenges of the future.

Reforming Westminster

For the people, by the people – We will make every vote count with a fair voting system for elections to Westminster, the European Parliament and local government. A new system must end safe seats and make seats won more proportional to votes cast. We propose the Single Transferable Vote, which allows voters to choose between candidates of the same party as well as between parties, and delivers results proportionate to votes cast. We will lower the voting age to 16. We will cut the cost of the political system by reducing the number of MPs in the Commons.

Sacking MPs, electing the upper house – We will introduce a 'Right of Recall', so that if an MP is found guilty of serious misconduct their constituents have a means of dismissing them before the next general election.

We will reform the House of Lords, replacing it by an elected second chamber with considerably fewer members than the current House. We will involve the British people in producing a written constitution. This would reform and reinvigorate the democratic process, putting individuals back in control. We will simplify the system for petitioning Parliament and ensure petitions are considered and acted upon.

End big money politics – We will cap on individual donations to political parties and reform of trade union funding. We will put in place stringent caps on party spending at a local and national level all year round, to stop big donations buying election results. We will tighten up the rules for parliamentary expenses to make the system transparent and properly punish abuses.

Decentralising Power

A Fresh Start for Britain

More money spent locally, more decisions made locally – We will scrap the '*Whitehall knows best*' rules and targets that mess up and delay decisions. We will give more power to parish, town and community councils so that local people are making the decisions that will affect their communities. Local people will be set free to make decisions about what happens in their area and how to improve local services, with real powers and responsibilities devolved to local communities and their councils. This will also save money by removing unnecessary bureaucracy and slimming down Whitehall.

Our programme of local devolution of power will include:

- New powers for local authorities. We will hand the powers exercised by regional development agencies to local authorities, making elected councils responsible for local economic development.
- Devolving budgets. Along with devolved powers will come responsibilities for budgets currently controlled in Whitehall.
- Financial independence. With power must come financial responsibility, so we will increase the amount of money councils spend which is raised locally; in the long term 75% (rather than the current 25%) of total revenue should be raised locally. The first step will be to give local authorities the power to set business rates.
- Axing Council Tax. The Council Tax is an unfair tax which bears no relationship to the ability to pay. Liberal Democrats believe that it should be scrapped and replaced with a fair Local Income Tax. We believe that it is necessary to pilot LIT to resolve any practical issues of implementation before it is rolled out nationally. We would therefore invite local councils to put themselves forward to be involved in the piloting phase in the second year of a Parliament.

Open up local decisions to local people – There is no excuse for decisions about public money that affect local people to be held in secret, as so many of them still are. We will abolish many of the unelected quangos that New Labour has created to run people's lives, and ask local authorities to take them over, so that people can elect the decision-makers. But before that, we will immediately open all meetings of quangos and health boards to the press and public.

Give local people real control over the NHS and Policing – Too often decisions are taken to shut hospitals or police stations, where nobody asked what local people thought, or nobody listened to what they said following sham consultation. Local people pay for the NHS and the Police and should shape how they are run – not Whitehall or unelected officials. We will set up elected local health boards and police authorities that will be accountable directly to local people for their decisions. Once a new system of local government finance was established nationwide, we would give local health boards some limited freedom to vary local income tax to spend on local health services.

Strengthening Devolution – Labour has made progress on devolution, but the job is still left unfinished.

We will implement the recommendations of the Calman Commission to give significant new powers and responsibilities to the Scottish Parliament, recognising the appetite for a Scottish Parliament equipped to build a sustainable economy, promote social justice and contribute to tackling climate change.

We believe that the National Assembly for Wales has the potential hugely to improve the lives of the people of Wales, but it needs the tools to do the job. We will give the National Assembly primary legislative powers so that it becomes a proper Welsh Parliament. We also support passing on a greater number of responsibilities to the National Assembly.

The way public money is divided out between the nations and regions isn't based on a proper assessment of need. We would replace the current Barnett formula for allocating funding to the Scottish, Welsh and Northern Irish governments with a new needs-based formula, to be agreed by a Finance Commission of the Nations and Regions.

Cutting Back the Overmighty State

Open government – We will operate transparent and open government with strengthened Freedom of Information legislation. The Data Protection Act will be reformed to accurately reflect the nature of today's technology. We will increase the accountability of the Information Commission and review its funding. We will also require private companies which hold large amounts of data to be subject to spot checks by the Information Commissioner, as public bodies currently are.

Stop government interference in people's lives with a Freedom Bill – We will introduce a Freedom Bill to repeal Labour legislation which threatens the most important liberties. This will scrap ID Cards; remove innocent people from the DNA database; abandon the Government's communications database plans; restore the right to protest; revise Control Orders; renegotiate the US extradition treaty; and stop children being fingerprinted at school without their parents' consent.

A New and Better Approach to International Politics

Stronger together, leading in Europe – The European Union is vital if Britain and Europe are to face the challenges of globalisation. In the economic crisis and subsequent recovery, and in tackling the urgent challenge of climate change, European co-ordination and co-operation will be essential. With the increasingly multi-polar world it is vital that Europe takes on more of the burden of security and peacekeeping. Labour has failed to take the opportunities for British leadership in Europe, leaving Britain on the margins. Liberal Democrats will continue to push for a more accountable and effective EU.

Liberal Democrats have argued for a referendum on whether Britain stays in or leaves the EU. We are the only party confident enough to put the pro-European case to the British people on the big issue facing us – and let the people decide. Britain will only win the case for a flexible, democratic Europe in Brussels if we settle the arguments at home on whether this country should be part of the EU or not.

There is a time to talk – Britain should work in co-operation with other states and international bodies and respond to radical ideologies with a firm defence of democratic and liberal values combined with a willingness to engage in dialogue. We believe that preventing conflict occurring is far preferable to intervention when crises have already emerged. We support the Responsibility to Protect principle - intervention for humanitarian reasons involving wide international participation under UN authority with reasonable and achievable aims and a clear and realistic exit strategy.

Protecting the global environment – Humans are living beyond the ability of the planet to support life; more than 60 per cent of the basic ecosystems that support life on Earth are being degraded or used unsustainably. We would work through the EU to make sure that environmental imperatives are fully integrated into the work of international institutions such as the World Bank, IMF and WTO, increase the resourcing of international environmental bodies such as the UN Environment Programme, and improve the enforcement of international environmental treaties.

Meeting Britain's obligations to the developing world – We are committed to working towards a world free from poverty, inequality and injustice and meeting the Millennium Development Goals is a vital first step. But beyond this we will also ensure that action is taken:

- On Aid – increasing the UK's budget in order to reach the UN target of 0.7% of GNI and holding the G8 to its Gleneagles pledges.
- On the Global Economy – we would reform global finance institutions such as the World Bank and IMF. We would ban banks from facilitating the transfer of funds obtained by corruption by dictators and other corrupt figures. We would also act to crack down on tax-havens which allow multi-national companies to avoid paying due taxes to developing country governments through new reporting standards.
- On Climate Change – we would ensure the developing world is prepared to deal with the consequences of a changing climate. By supporting a robust post-Kyoto framework, we would ensure that adaptation and mitigation measures are financed by industrialised nations on top of existing aid commitments.
- On Social Protection – we would establish a Global Fund for social protection to help developing countries build viable welfare systems. We would also continue to prioritise health and education programmes aimed at promoting gender equality, reducing maternal and infant mortality, and restricting the spread of major diseases like HIV/AIDS and TB.

A Fresh Start for Britain: Choosing a Different, Better Future

Policy Paper 94

This paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 5.4 of the Federal Constitution. Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom. The Party in England, the Scottish Liberal Democrats, the Welsh Liberal Democrats and the Northern Ireland Local Party determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas. The Party in England has chosen to pass up policy-making to the Federal level. If approved by Conference, this paper will therefore form the policy of the Federal Party on federal issues and the Party in England on English issues. In appropriate policy areas, Scottish, Welsh and Northern Ireland party policy would take precedence.

Many of the policy papers published by the Liberal Democrats imply modifications to existing government public expenditure priorities. We recognise that it may not be possible to achieve all these proposals in the lifetime of one Parliament. We intend to publish a costings programme, setting out our priorities across all policy areas, closer to the next general election.

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ISBN: 978-1-907046-08-7

Further copies of this paper may be obtained, price £5 from:
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Printed by Contract Printing, Rear of CMS building 11, Whittle Road, Phoenix Parkway, Corby, NN17 5DX
Cover design by Mike Cooper