



# A game of two halves: how coalition governments renew in mid-term and last the full term

*Akash Paun and Stuart Hallifax*



# Preface

All governments tend to run out of steam in mid-term. The energy and momentum from their initial formation disappears as governing turns out to be more difficult than was expected, at least by ministers, if not by worldly-wise civil servants. Governing parties lose popularity, in both the polls and at local elections; they make mistakes which are seized upon by an increasingly critical media; and underlying personal tensions surface in bickering and factionalism. These are not just political issues. They are about how to renew effective government so as to ensure that difficult problems are tackled and radical changes implemented.

These dilemmas of government renewal are even more acute in the case of coalitions, like the Conservative/Liberal Democratic administration now. This is largely new territory in Westminster and Whitehall where politicians, civil servants and commentators are all going through a learning process. But what is new for them is familiar in many other western democracies.

*A Game of Two Halves* puts the challenges facing British politicians and civil servants in an international context: looking at how renewal has been tackled in other coalitions. A number of the practices adopted by coalition governments overseas should be considered here, not just mid-term stocktakes but also in the negotiation and creation of the original programmes for government to permit greater flexibility later in their life.

The report continues a major strand of the Institute for Government's work. This started in 2009 with a report on government transitions, co-authored by Dr Catherine Haddon and myself, and a joint publication with the Constitution Unit on the impact a hung parliament would have on Westminster and Whitehall. Our work in this area continued after the election, with a report on the lessons learnt from the 2010 transition, and Akash Paun's examination of the functioning of the Coalition in its first few months (*United We Stand?*). The latter proved to be highly influential and led, after initial Whitehall reluctance, to a strengthening of support for the Liberal Democrats in government.

Akash Paun, with support from Stuart Hallifax, outlines the case for renewal of the Coalition now; examines the options, notably for policymaking, as the Coalition partners seek to differentiate themselves; and looks towards the next general election. There is not only the unknowable question of whether the Coalition will hold together until May 2015 but also the tricky issue of how the parties and the Civil Service prepare in very different circumstances from 2010. This affects the Opposition as much as the current two Coalition partners. The transition in 2015 could be as challenging, and possibly more controversial, than in 2010, as Akash Paun makes clear in his thought provoking final chapter.



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# About the authors

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As ever, the authors bear responsibility for any errors and inaccuracies.

# Executive summary

As the Coalition approaches the mid-point of its planned five-year term, it is passing through its most difficult period to date. The economy is in recession, both parties have hit or remained at post-2010 nadirs of popularity, and tensions between the two sides are growing. After two years of reformist momentum, a big 'what's next?' question hangs over the Government.

Most governments grapple with the challenge of mid-term renewal, and there is rarely a straightforward solution. For a Coalition, the process is complicated further by the fact that the parties comprising the government will eventually separate, and as time passes, the incentives grow to emphasise difference over unity. The risk that coalitions face is of drifting without direction through the second half of their term, as consensus on new policies grows increasingly elusive.

This report is a study of how coalitions can renew themselves in mid-term and give themselves fresh momentum and a clear sense of purpose as they move towards the next election.

## How coalition government is different

Resourcing a two-party government poses some distinctive challenges. The Government has sensibly recognised this, increasing the support to the deputy prime minister and Liberal Democrat junior ministers, to help them fulfil a 'watching brief' role in their departments.

The policy-making process under a coalition is slower and more subject to running into ideological differences. But the differences between the parties are out in the open. In a single-party government, disputes are more likely to be swept under the carpet.

Decision-making processes are more formalised and transparent. This is necessary to ensure policies have bipartisan support and all sides have had good opportunity to contribute to the policy process. In particular, the 'Quad' (David Cameron, George Osborne, Nick Clegg and Danny Alexander) has emerged as the central dispute-resolution body, and is recognised as such across Whitehall.

Relationships at the heart of the Coalition remain strong, but personal rapport can take you only so far. Beneath the level of ministers, the wider Conservative and Liberal Democrat parties are exerting a growing centrifugal pressure on the party leaders.

Furthermore, the incentives for the two parties to pull apart will grow stronger over time – this is the natural political cycle of coalition governments – making the task of renewal ever more difficult.

## The case for renewal

The programme for government was initially the central reference point driving government activity. Civil servants found it useful in clarifying the policy compromises and shared values underpinning the Coalition.

Over time, however, its importance has waned. Departments are strongly driven by expenditure commitments agreed through the spending review, and to some extent by business plans.

The centrality of the programme for government has also been diminished by the natural need for government to respond to events such as the economic downturn and to refresh business plans accordingly.

Commitments in the programme for government are seen as binding, and this has helped the Coalition push through controversial policies such as fixed-term parliaments, and police and crime commissioners.

But this is a double-edged sword. Proposed policies that were not explicitly agreed in 2010 (including the NHS and Lords reform plans) have increasingly encountered opposition on the grounds that they are “not in the coalition agreement”. The ability of the Coalition to refresh its policy agenda is restricted as a result.

Implementation or “animation” of important reforms passed in the first parliamentary term (2010-12) will take up a significant proportion of the Coalition’s energy over the next two to three years.

However, the idea floated by at least one government adviser that there will be no need for new initiatives or legislation is naive. The Government already recognises the need for action on economic growth, banking reform, adult social care, anti-social behaviour, families policy, local government finance, party funding and more.

The question is not whether there is work for government to do, but whether the two halves of the Coalition will be able to agree on a shared way forward in many of these contentious areas.

**We conclude that the Government should undertake a mid-term renewal of its policy programme to forge a shared agenda for the second half of its term.**

We also note that the Government’s renewal options are more limited than single-party governments because of the greater difficulty of undertaking ministerial reshuffles and machinery of government changes in a coalition context.

This has some benefits – most observers feel that Labour reshuffled and reorganised too often. But it also limits the capacity for a relaunch, making the task of policy renewal more important still.

## **Renewal options for the Coalition**

Early aspirations for a full renegotiation of the programme for government have faded because the risks of failure and leaks are perceived to outweigh the potential benefits of a new agreement.



However, there are options short of a full 'Coalition 2.0' agreement. We recommend that:

- The Coalition should re-emphasise the importance of the programme for government by creating a transparent mechanism for monitoring progress. This should be based on existing systems for tracking business plans, with the link between the programme for government and business plans made clearer.
- **The Coalition should publish a mid-term progress report, as occurs in Ireland, in which it demonstrates what progress has been made in delivering programme for government commitments so far.**
- **The mid-term review should be clearer than the original programme about prioritisation, outlining an action plan and timeline for implementing remaining and new pledges.**
- Prioritisation would also be strengthened by a clearer link between policy and budget planning as in Germany and the Netherlands. Spending targets and economic forecasts underpinning commitments in the renewed policy programme should be spelt out.
- The Coalition should be open about commitments that have been amended or dropped in response to changing circumstances, new evidence or a political change of mind. It should also make plain where new priorities, such as promoting growth, have emerged since 2010.
- The Coalition could also follow the approach of the Swedish Coalition, which differentiates between those policies to which they are firmly committed, and those that will be pursued subject to amenable economic and fiscal conditions.
- The mid-term review should clarify what actions are to be taken on matters where the programme for government was vague, for example in the more than 30 policy areas referred to commissions or policy reviews.

**In place of a long undifferentiated list of items, the Coalition should develop a clearer statement of its overarching strategic objectives and should set out the specific steps that will be taken to achieve these core economic and social goals.**

**The renewal process should seek agreement on some new policy 'wins' for each party as in the original coalition talks.** This will allow each side to concede to policies it might otherwise oppose, in exchange for progress in its own priority areas.

**But policies agreed through such horse-trading should not undermine the central shared economic and public service reform agenda.**

Government renewal should be perceived as a process not an event. Irrespective of formal outputs, there is value in creating a forum for ongoing dialogue between the Coalition partners about what still unites them and what they wish to achieve.

**The Government should also engage in longer-term horizon scanning and consideration of policy issues that stretch beyond 2015.** This is particularly challenging for coalition governments that may not expect to work together again post-election. The Swedish Commission on the Future and Scotland's pre-2007 strategic policy review offer examples of ways to do this.

Ministers from both parties should be encouraged to think outside their departmental box about big challenges such as the country's energy strategy, climate change, ageing, social mobility, and rebalancing of the economy. Open discussion on the basis of a shared evidence base can be constructive whether or not concrete policy agreements emerge from it.

There is a risk of focusing narrowly on implementation of agreed policy instead of asking difficult questions about what has been a success and a failure and learning the appropriate lessons. Being open to external challenge from policy experts, stakeholders and the public will act as a corrective.

Any successful mid-term renewal cannot just be a matter of internal discussions within the executive. The wider parties must be involved. **Failure to engage with backbenchers and activists will undermine the Coalition's stability as well as shutting off an important source of policy ideas.**

## Renewing while differentiating

Mid-term renewal must be approached in a way that allows each party to emphasise its own achievements and values. This will require the government to strike a careful balance between government unity and party identity.

International experience confirms that there are no easy answers in managing this tension.

In general, the pressures are seen as greater on the smaller party, which has fewer resources and must work harder and make more noise to avoid being overshadowed.

Larger parties in coalitions are often seen as having an easier ride. But they are typically judged on the overall success of the government, and this can make it more difficult to differentiate from coalition compromises.

The role of party leaders is crucial. By virtue of holding the position of prime minister, the larger party is guaranteed a high profile. The role of deputy coalition leader varies far more. International observers argue that Nick Clegg's decision not to take a large departmental portfolio has weakened his position and his ability to demonstrate impact.

Similarly, the Liberal Democrats may find it hard to demonstrate their governing competence since all the large public service departments are led by Conservatives. Junior partners in Dutch, German or Swedish coalitions would expect to run more of the big spending departments.

**Successful differentiation requires careful management. The two sides need to allow each other space to emphasise their differences, and this requires trust and openness between senior figures.**

**The parties need also to agree on the limits of differentiation and to create channels of communication to prevent disagreements getting out of hand, particularly in the run up to the next election.**

## **Towards the next election**

In the last six months to a year before the election date there is likely to be a loss of momentum, with no big new policies being agreed. The Government will need to ensure that important initiatives are completed well in advance, though successful mid-term renewal could help delay the moment at which policy momentum ceases.

At the next election, the two parties will be competing with each other while defending a shared record of achievement. **There will be a temptation for the parties to point to what they would have done differently had they not been in coalition. But this approach may not be welcomed by voters.**

For the most part, both parties will need to stand by compromises made in government, while highlighting their distinct contributions to government and their differing plans for the future.

During the election campaign, the Civil Service will be placed in the unfamiliar position of having to support ministers of two competing parties until polling day (and perhaps after that, if there is another extended government formation period).

One quandary this will pose relates to support for policy development by the parties. The Civil Service maintains a distinction between government and party business, steering clear of the latter. In practice, however, the line can be somewhat blurred under a single-party government, since advice given to a minister might then feed into party policy documents such as the manifesto.

This is more complex under a coalition since different ministers might ask the same officials for advice in developing conflicting policies for their respective manifestos. New processes will be required to deal with this, such as the provision in Scotland for each coalition party to request confidential advice from the Civil Service in the pre-election period.

However, supporting the two sides of the Coalition as parties in the election run up raises the question of what forms of pre-election contact should be permitted between the Civil Service and the opposition, during the 12 months ahead of the election.

Whatever the specific mechanisms developed, **the general principle should be to seek a level playing field between government and opposition, with the Civil Service engaging with all parties in a similar way in the pre-election period**, listening to and discussing post-election policy plans without offering direct advice as is provided to ministers in their normal government role.

Dutch-style pre-election costing of a range of policy options would help opposition parties to develop their policy programme, and would increase the chances that any new government comes into office with a realistic plan for action.

## Preparing for next time

In the latter stages of the parliament, all parties and the Civil Service will need to prepare for the possibility of another hung parliament at the next election.

The parties may choose to draft their manifestos with a view to possible coalition deals, comparing policy positions in advance. They should also plan their negotiating strategy in greater detail than last time, including thinking more about portfolio allocation and machinery of government issues in a possible future coalition.

It is likely that there will be greater pressures for wider party involvement in the negotiations, and ratification procedures might be tightened up, reducing the room for manoeuvre of negotiators.

**On the Civil Service side, there should be a greater awareness that improbable coalitions can be formed if the arithmetic works. Whitehall should prepare more carefully for all possible outcomes and types of government.**

There should also be readiness for a possible longer coalition formation process, perhaps with more extensive Civil Service input than last time. The Civil Service should also think through the issues that might arise in a coalition of which one party has government experience and the other does not.

## Thinking the unthinkable

We make no predictions as to the likely durability of the Coalition. **However, contingency planning work should be carried out in or on behalf of Whitehall to identify what would be the implications of an early coalition split.**

In particular, the Civil Service should dig out its files on minority government and 'confidence and supply agreements'. The Civil Service might even be called upon to support a new set of government formation negotiations in mid-term, and to work with a government that had just lost a confidence vote while such talks took place.

# 1. Introduction

There is a natural cycle about all governments. They come into office on a wave of electoral success and goodwill, full of ideas and impatience to get on with them, and often facing little effective opposition. Soon, the real world of government begins to intrude. Policies turn out to be more difficult to implement than expected, compromises must be made, misjudgements and scandals sully the government's image, and opposition grows more vocal and effective.

All governments reach this point – the current Coalition has certainly done so – and after a few weeks or months of political punishment, minds turn to the question of government renewal: what can an unpopular administration do to regain the initiative and give itself a new sense of momentum? Options typically include reviewing its policy agenda, reassessing priorities, rethinking its political narrative, reshuffling the ministerial pack, revamping the machinery of government and redoubling efforts to implement existing commitments.

This report is a study of how governments manage this task. More specifically, we analyse the challenges faced by the current Coalition administration as it approaches its half-way point and heads towards the next general election. We consider the options open to and constraints confronting the Coalition, and set out some recommendations and ideas for how it might proceed.

Our findings are based on over 60 interviews conducted between February and April 2012. We spoke to 19 senior civil servants (current and recently departed) across 11 Whitehall departments and to 15 people from the two UK coalition parties (including politicians, advisers and activists). To learn lessons from elsewhere, we also interviewed 25 officials, politicians and experts with knowledge of coalition governments in Germany, Sweden, the Netherlands, Ireland, Scotland and Wales. Finally, we spoke to five people who were part of the Blair-Brown administrations, which struggled with the task of government renewal in a factionalised single-party government.

Contrary to many predictions, for most of its first two years in office, the Conservative-Liberal Democrat Coalition offered stable and united leadership to the country, and made significant progress in implementing a radical policy agenda centred on deficit reduction and public service reform. In fact, given the initial fears of many in the UK that Coalition government would be weak and ineffective, the irony is that the most common accusation levelled at the government has been that it has moved “too far and too fast”.

However, as it approaches half-time in its planned five-year term, the Coalition is suffering from a painful combination of political headaches, economic lethargy and self-inflicted wounds. Specific ailments include fallout from an ill-received budget, the return to recession, poor performance in local elections and the opinion polls, rising tensions between the parties, a drip-feed of bad news from the Leveson Inquiry, and a series of policy u-turns.

As a two-party administration, the Coalition is suffering not only from the common problem of mid-term blues, but also from a more profound quandary. Having pushed through much radical legislation in its first two years, the question the Coalition now faces is how to maintain unity and a sense of purpose – let alone launch into a new phase of joint endeavour – at a time of growing pressures on the leadership of both parties to become more assertive in dealing with their partners in government.

These issues are likely to grow more acute the closer the Coalition gets to the next general election, as the incentives will gradually increase for both parties to emphasise party difference more than government unity, although come the election the two sides will also be judged on their shared record in office.

For these reasons, the second half of the Coalition's term, and especially the last year or so before the election, is likely to pose some unfamiliar tests to the political parties and also to the Civil Service, which is accustomed to serving ministers who wear the same colour rosette on polling day (no matter how much they feud behind closed doors).

The risks are that the Coalition will lose focus and momentum, and will find it difficult to think coherently as a government about the challenges facing the country. By the end, the parties and the Civil Service will also need to prepare for the aftermath of the next election, which might again require some form of power-sharing government to be formed.

In chapter 2, we address the issue of what is distinctive about coalition government. This discussion then informs the detailed analysis in chapter 3 of how the Coalition might approach the challenge of mid-term policy renewal. In chapter 4, we briefly assess the constraints on the use of other renewal mechanisms, namely reshuffles and structural changes. In chapter 5, we explore how coalitions can renew as a government while also preserving the distinct identities of the component parties. And finally, in chapter 6, we discuss the issues likely to arise during the pre-election period as the parties disengage from each other.

## 2. What's different about coalition government?

*“All Governments are coalitions of people with different shades of opinion – often quite widely differing shades of opinion, even when they are drawn from the same party. The Civil Service is used to reconciling loyalty to their departmental minister with loyalty to the Government as a whole.”<sup>1</sup>*

*“Look at the Brown-Blair days...effectively in large parts of the government there was open warfare”.<sup>2</sup>*

*“A visitor from the moon wouldn't be able to spot the join [between Conservative and Liberal Democrat ministers]”.<sup>3</sup>*

It is a common refrain in British government (particularly among those who held a ring-side seat during the Blair-Brown years) that 'all governments are Coalitions'. The implication is that the current Coalition government poses no particularly novel challenges in terms of ensuring effective governance.

It is true that every government and party contains a spectrum of opinion, competing wings and individuals. But an actual two-party government differs from even the most factionalised single-party administration in several significant ways, which have an impact on government's ability to renew themselves and maintain momentum throughout their term.

### An explicit Coalition

The explicit nature of the current Coalition makes it far easier for civil servants to take party politics into account when formulating and presenting policy. During the Blair-Brown period, although it was widely acknowledged that policy had to reflect a delicate power balance between two poles of power, this could not be formally recognised and Whitehall instead had to tiptoe carefully around the 'TB-GB' issue. Officials could not openly ask questions such as 'how will this play with the Brownites?' Partly as a result, renewal initiatives such as Blair's 'Pathways to the Future' policy review of 2006/07 were fatally undermined from the start by the failure to get active support from Gordon Brown and the Treasury.<sup>4</sup>

The advent of the Coalition, by contrast, has made it more legitimate for officials at all levels to think through the politics of an issue.<sup>5</sup> For instance, as one senior official explained, when briefing ministers for parliamentary questions, officials have to recognise the political nuances and think through how the other party might respond to particular messages or choices of language.<sup>6</sup> And when policy differences arise, officials can ensure

that both parties' perspectives are taken into account in a way that one could not when the very existence of the two competing factions could not explicitly be admitted.

Reflecting on this difference, a director general noted that disagreements in single-party governments were often "not thrashed out in as clear a way as they are required to be thrashed out in a formal Coalition of this sort".<sup>7</sup> This can mean that decisions take longer to be reached, but should also mean that, once reached, they are adhered to. The very process of reaching bipartisan agreement can also improve the quality of the policies eventually agreed.<sup>8</sup> These factors will be helpful in the event that the Government seeks to undertake a review of its overall programme.

## Clearer structures and processes

To guarantee that policies do have the necessary bipartisan support, the Coalition has had to ensure that the formal processes of decision-making in Whitehall were up to the task. As recognised in several past studies,<sup>9</sup> and by a number of interviewees, the switch to coalition was accompanied by a revival of the traditional decision-making machinery of cabinet government, with a revamped cabinet committee system and an increased emphasis on ensuring that all interested parties are given good opportunity to comment on draft policy proposals. As then Cabinet Secretary Sir (now Lord) Gus O'Donnell has explained, "coalition government places a greater emphasis on the machinery to support collective decision-making, and ensures that no actions are taken that might – deliberately or inadvertently – erode the trust which is essential to the coalition".<sup>10</sup>

Learning from international best practice, the Government also established a dedicated dispute resolution body – the Coalition Committee – to sit at the apex of the cabinet committee system. However, in practice this body has barely met. Nor has the so-called Coalition Operation and Strategic Planning Group, which was intended to "consider and resolve issues relating to the operation of the coalition agreement, the longer-term strategic planning of government business and to report as necessary to the Coalition Committee".<sup>11</sup> In the event, it was confirmed to us, this body has not held a single meeting.

Instead, it has been the Quad of David Cameron, Nick Clegg, George Osborne and Danny Alexander that has served as the central arena for resolving major inter-party disputes and setting strategy. This body is not a formal cabinet committee, but has taken on a semi-institutionalised status at the heart of the Government, with officials across Whitehall recognising that the biggest decisions need to be referred to the Quad for sign-off, "or at least the shadow of a Quad-type discussion – it doesn't necessarily go up to that level, but the fact that it might affects the way that people negotiate".<sup>12</sup> Some commentators have criticised the lack of accountability of this body,<sup>13</sup> but the visibility of the Quad contrasts positively with the lack of clarity about where key decisions were taken under the Labour regime.

Similarly, the Spending Review of 2010 and subsequent Budget negotiations have been carried out in a more transparent fashion than was often the case under Labour, with key decisions being taken in the Public Expenditure (Star Chamber) Cabinet Committee, by the Osborne-Alexander axis or again in the Quad.



## Resourcing a two-party government

Another type of structural change since 2010 reflects the recognition that for the Coalition to operate effectively, each party must be provided with adequate resources to contribute to ongoing policy development. At the Centre, this has led to the strengthening of the deputy prime minister's office. The initial vision was that there would be a single unified centre serving both prime minister and deputy prime minister, but, a senior official reflected, "in practice it emerged that that wasn't working very well, and the Liberal Democrats were under-supported".<sup>14</sup> The deputy prime minister's office was expanded in late 2010, following Institute for Government recommendations.<sup>15</sup> Additional special advisers were also appointed in late 2011 and early 2012 to give the Liberal Democrats greater voice and influence in departments where their ministerial presence was limited.<sup>16</sup>

Surprisingly, criticism of the organisation of the centre of government has increasingly shifted to the issue of whether the Conservative side has sufficient clout. Following early policy controversies, notably over NHS reform plans, the Downing Street Policy Unit was strengthened, with the prime minister himself admitting that this was "something I didn't get right first time round".<sup>17</sup> However, the expanded Policy Unit is staffed with Civil Service rather than political appointees – so that it can work for both parties – so this change has failed to put to rest the perception that the Conservatives' political heft is insufficient.<sup>18</sup>

This is important because as the Coalition moves forward, it is probable that party politics will increasingly rear its head, as both parties seek to 'differentiate' and defend their own profile. Advisers able to move seamlessly between the worlds of policy analysis and party politics will be at a premium. In general, special advisers and other similar party political figures are often the "oil that lubricates the machine" of coalitions, so the Government should be relaxed about the increase in their number.<sup>19</sup>

At the departmental level, Whitehall has also been confronted by the question of what should be the role of junior ministers who come from a different party to their secretary of state. In most of the major public service departments – including health, education, justice, work and pensions, the Home Office – there is a Conservative secretary of state and a single Liberal Democrat junior minister.

In such departments, the Institute for Government has previously argued that additional resources should be provided to the junior minister to enable them to play a "watchdog" role across the full departmental brief. The extent to which this has happened appears to have varied, and in some key areas it is the deputy prime minister who has to fulfil the coalition-proofing role for the Liberal Democrats, rather than the junior minister in the department itself.

In several departments we heard that the single Liberal Democrat was expected to play a wider role than their specific portfolio. One official told us that a particular minister had a "very clear role as Liberal Democrat contact" across the whole department; of another, we heard that s/he "looks across the whole of the department's business...[and] has a slight watching brief for the Lib Dems".<sup>20</sup> The appointment of the additional special advisers – as well as support from nominated backbench spokespersons in some cases – appears to have

helped Liberal Democrat ministers to play this wider role, though it is still seen as a big ask for junior ministers to Coalition proof all policies coming out of their department, given their existing heavy workloads.<sup>21</sup>

## A shared policy programme

The Coalition's shared policy agenda is encompassed in the programme for government, which was published in late May 2010, and built on the earlier short coalition agreement document, which had resolved the key points of dispute between the parties and enabled the Coalition to take office. In a single-party government, the equivalent function to that of the programme for government would be fulfilled in part by the pre-election manifesto. From a Civil Service perspective however, as discussed chapter 3, the programme for government is regarded as providing a more practical plan for action than the average party manifesto.

The programme for government also holds a quasi-contractual status in representing the binding agreement made between the two parties in 2010. Coalitions elsewhere – in Scotland, Wales, Germany, the Netherlands for instance – have tended to find that coalition agreement documents are vital, but that their binding nature can come to have a constraining impact on the ability of government to innovate while in office.

## Personal relationships and party politics

Most of the key cross-party personal relationships within the Coalition remain strong – and this is clearly conducive to good government. This is the case at the centre – between prime minister and deputy prime minister, and the wider Quad – and in many of the major public service departments, such as health, work and pensions, and justice.

But relationships can take you only so far. Beneath the level of ministers, there remain two political parties representing distinct traditions and values, and between whom there is little sense of shared enterprise. Among many backbenchers, and even more so at grassroots level, the Coalition is regarded as a transactional relationship, in which the ambition is to secure the best deal for their side in a zero-sum game.

The logic of party politics exerts a growing centrifugal pressure on the party leaders over time, complicating the process of coalition renewal and forcing ministers to take a more assertive stance towards their partners. Therefore, even if the visitor from the moon might be unclear about which ministers are from which party, the ministers themselves and their parties tend not to forget it.

Overall, many in Whitehall have been impressed at the extent to which ministers from the two parties have been able to "have an adult conversation" and work together.<sup>22</sup> But the apparent surprise that the two sides are not perpetually at each other's throats reflects pre-2010 claims about the difficulties of making the Coalition work. It also, for reasons discussed, reflects the fact that in the second half of the parliament, the 'join' in the Coalition is likely to become increasingly visible.

# 3. Mid-term policy renewal: options and constraints

The UK Coalition's shared policy agenda is set out in the programme for government, which contains some 400 pledges across 31 policy areas. According to the prime minister and deputy prime minister at the time, the programme for government was to be "for five years of partnership government" driven by the values of "freedom, fairness and responsibility".<sup>23</sup> Yet in practice, despite the rhetoric of a five-year deal, thoughts turned within months to the question of whether new programme or "Coalition 2.0" agreement would be necessary.<sup>24</sup> A full revision of the programme now appears unlikely, but there remains a good case for a more limited mid-term policy renewal exercise.

Below we make the case for renewal, discuss the lessons to be learnt from six international case studies, and then set out 20 suggestions for how the UK Coalition should proceed.

## Political party perspectives

The programme for government has been helpful in creating a clear framework for policy discussions within and between the Coalition parties. Having been ratified by both parliamentary parties, as well as a Liberal Democrat special conference, the Coalition deal is seen as binding on both sides.<sup>25</sup> There is recognition in each party that elements of the programme with which they disagree are there as a quid pro quo for their own policy priorities.

According to one Conservative MP, the programme "is the strategic document guiding what we are going to do and ... is an arbiter of any differences of opinion between the two parties".<sup>26</sup> On the Liberal Democrat side, we were told: "People are quite happy to use it as a yardstick to say, well we have to concede X, Y and Z to the other party in the Coalition, because that's what's agreed in the coalition agreement."<sup>27</sup>

Reference to the programme for government has helped to push through policies about which MPs from one party the other side have qualms. There have been a large number of backbench rebellions against the Government, but these have mostly been on a small scale.<sup>28</sup> And votes on policies clearly contained in the original government programme have not been seriously threatened by back-bench revolts. For instance, only six Conservatives opposed the Fixed-Term Parliaments Bill at third reading, and only 13 voted against the bill legislating for the Alternative Vote referendum, though in that case of course the pill had been sweetened by the incorporation of constituency boundary changes in the same legislation. The vast majority of Liberal Democrat MPs have exercised similar discipline in voting for Conservative policies in the programme for government such as police and crime commissioners, referendums on elected city mayors and the expansion of academy schools, not to mention sticking to the accelerated deficit reduction schedule that ran counter to the party's pre-election position.

One Conservative MP stressed that the programme for government should be seen as "binding but not limiting", implying that the Coalition was able to develop new policy as it went along.<sup>29</sup> However, the Coalition has already found that contentious policies

developed outside of the programme for government are much more likely to lead to friction. As one Liberal Democrat interviewee pointed out: “If you look at the big flashpoints there have been, they haven’t been about the coalition agreement itself. They have been about things that weren’t in it or about cases where the Government decided not to follow it, even on tuition fees where the Liberal Democrats didn’t go for the ‘mass abstention’ option” – the latter point a reference to the abandoned plan for Liberal Democrats to abstain when it came to the votes on tuition fee rises.<sup>30</sup>

The claim that a particular policy is “not in the coalition agreement” and that MPs, peers or the wider party are therefore not obliged to support it has been heard frequently, particularly on the Liberal Democrat side. The initial Liberal Democrat party conference votes against the NHS reform plans cited the fact that the plans were not made explicit in the original programme for government.<sup>31</sup> Senior Liberal Democrats also responded angrily to a 2011 speech on immigration by David Cameron, with Lord Oakeshott declaring: “When something is not in the coalition agreement it does not become coalition policy just because David Cameron says so, even if he has shown his speech to Nick Clegg.”<sup>32</sup> Liberal Democrat opponents to Home Office plans to strengthen state surveillance and interception of communications powers made a similar point.<sup>33</sup>

On the Conservative side, as plans proceed to introduce an elected element to the House of Lords, critics have pointed to the fact that the programme for government only commits the Government to “establish a committee to bring forward proposals for a wholly or mainly election upper chamber”. Consequently, it is argued that Conservative MPs and peers are not bound to follow the whip when it comes to helping pass the legislation.<sup>34</sup>

These examples illustrate the difficulties of developing policy outside the initial coalition agreement. Moving forward into the second half of the parliament, these difficulties are likely to grow, potentially limiting the ability of government to formulate new policy in response to events and changing circumstances.

## Civil service perspectives

The programme for government was generally welcomed by the Civil Service. For an organisation prone to over-literal reading of party manifestos,<sup>35</sup> having a clear statement of government plans that superseded pre-election political statements was a useful innovation. More than one interviewee argued that it would be worth developing a programme for government in a future single-party UK government, with one official arguing that the value of the programme for government was that it was “more practical and pragmatic than a manifesto” and “less about selling an ideology”.<sup>36</sup> Another told us that because the programme for government was written after the election by civil servants “it has a legitimacy and civil servants feel able to point to it in a way that we never did with manifesto pledges, which are inherently political”.<sup>37</sup>

For most departments, the programme for government was a central reference point in the early days of the new administration. This was, perhaps inevitably, particularly the case where there were underlying tensions between the parties, such as over Europe, where the programme for government helped to clarify what was the compromise position the two parties had reached.<sup>38</sup>

Interviewees referred to the programme for government as “absolutely indispensable to start with”, as providing “the core programme” and “the authoritative statement of the direction the Government was headed”.<sup>39</sup> In some cases, what officials found most useful was less the actual policy detail and more the expression of the political values underpinning the Coalition, as expressed in the short introductory paragraphs at the start of each section of the programme, and in the preface written by the prime minister and deputy prime minister – for instance on the expression of commitment to the Big Society.<sup>40</sup>

In some departments, the programme for government was less important, often because the programme for government was largely derived from the Conservative manifesto, for whose implementation the Civil Service had prepared in the pre-election period.<sup>41</sup> Major reform initiatives such as the DWP Work Programme and the free schools policy fall into this category.

There were some critical voices. In one case, an official expressed concern that despite initial “high hopes” for the programme for government, there were areas “where a major fault-line was glossed over in the agreement, and that has led to a different sort of challenge for civil servants”.<sup>42</sup> The Department of Health (DH) appears to be one case where the programme for government was deemed actively unhelpful. Pledging not to impose “top-down reorganisations” on the NHS even while DH was planning the massive reforms embodied in the health white paper produced a few months later was “nuts” according to one official.<sup>43</sup> Similarly, the programme for government’s commitments to introduce elections to primary care trusts (PCTs) (a Liberal Democrat policy) but also to shift the primary care trusts’ central commissioning role to GPs (the core of the Tory plans) reflected a horse-trading approach that led to an internally inconsistent policy package, as discussed in detail in a forthcoming Institute for Government study of the health reforms.<sup>44</sup>

## Beyond the programme for government?

The programme for government appears to have declined in importance since 2010. Revealingly, several senior policy officials we spoke to had to look at our copy of the programme for government to refresh their memories about the contents of “their” section of the programme.

One reason for the declining importance of the programme for government is that its role has been overtaken by departmental business plans, which “operationalised” programme for government commitments, and have become “a much more regular touch-point”.<sup>45</sup> These documents, planned by the Conservatives while in opposition, set out the specific actions that departments should take in order to fulfil their policy and structural reform objectives. Unlike the programme itself, the business plans set out specific timelines for the achievement of most actions, and therefore gave an indication of prioritisation, which the programme itself is weak on, according to some interviewees.<sup>46</sup>

Monitoring of business plans is the responsibility of a team in the Cabinet Office, and regularly published progress reports give a clear indication of how each department is performing. We heard that the business plans had more “bite” than the previous public service agreements (PSAs) due to their focus on input or process targets rather than the high-level outcome objectives found in PSAs.<sup>47</sup> They were therefore seen as facilitating

clearer accountability for progress in delivering the Government's objectives. On the other hand, officials criticised business plans for being too "processy" and bureaucratic, and for reinforcing "silo" culture at the expense of joined-up working, which "remains a lacuna" in the Government's strategy.<sup>48</sup>

As the Institute for Government has previously noted, the link between business plan objectives and policy commitments in the programme for government is often unclear.<sup>49</sup> The business plans are also refreshed annually, in response to changing priorities and circumstances – for instance, economic growth has come to take on a more prominent position in many departments' plans. This means that the business plans are likely to edge gradually away from the original programme commitments on which they were based.

As a central statement of coalition purpose, the programme for government has also been superseded by the fiscal consolidation plan set out in the 2010 spending review. The priority given to deficit reduction is in fact made plain in the programme for government, which states on its final page that the "deficit reduction programme takes precedence over any of the other measures in this agreement, and the speed of implementation of any measures that have a cost to the public finances will depend on decisions to be made in the Comprehensive Spending Review".<sup>50</sup>

With the focus having shifted to business plans and spending review obligations, direct tracking of the programme for government pledges has been far less systematic and public. To mark the first anniversary of the Coalition in May 2011, a summary of progress against programme for government objectives was published (with little fanfare) on the Number 10 website. This stated that "the Government has completed a quarter of the commitments made in its five-year coalition agreement and is well on the way to completing two-thirds of the total".<sup>51</sup>

Subsequently, in early 2012, new cabinet secretary Sir Jeremy Heywood announced that the Coalition had completed 37% of 399 tracked Coalition pledges; meanwhile, virtually all of the remainder (62%) were classed as "under way", though that broad category covered policies at very different stages of progress, including some that were effectively at a standstill but had not been formally abandoned.<sup>52</sup> As with the one-year report, there was no publication or explanation of the data underlying the headline claim.

Analysis by the Institute for Government has found that over 80% of the actions set out in the original suite of business plans were scheduled to have been completed by May 2012.<sup>53</sup> This is partly because early priorities were sub-divided into smaller actions, while projects for the second half of the parliament were sketched out in less detail. Over time, these later actions will themselves be expanded out into sub-parts. But it also reflects a deliberate frontloading of the Government's agenda, with many of the headline legislative commitments in the programme for government – including the reforms to the NHS, schools, police accountability, and welfare – passed in the long first session up to 2012. As one Liberal Democrat adviser put it: "You go through each of the major departments and you can see there has been the heavy-lifting upfront."<sup>54</sup> A Conservative source confirms that it was always the plan to "go [...] into the first session with a real sense of urgency about trying to get some of the more tricky and politically controversial reforms".<sup>55</sup>

As of mid-2012, the overall status of the programme for government is therefore somewhat unclear. It is still frequently invoked as the definitive statement of the policy programme of the government. But within the executive, its initial role in driving government activity has faded. The Coalition will naturally need to review its policy programme over time, and will reflect this in business plan updates. But policy agreed outside the programme for government in this way is more likely to fall foul of opposition within the parties, potentially limiting the Coalition's ability to respond effectively to new challenges and circumstances.

## An implementation phase?

When asked what the strategy should be for mid-term policy renewal, one common response by those close to the coalition leadership in the next phase of the Government, the focus should shift from new policy development and legislation, to implementation of reforms already passed.<sup>56</sup>

Having legislated for NHS reform, an expansion of academy schools, and the creation of police and crime commissioners for instance, the view is that the priority for government should now be to encourage local communities, public service providers and others to seize the opportunities devolved downwards by these reforms. This process, part of the Big Society vision, has been dubbed a phase of "policy animation" by Sir Bob Kerslake, the head of the Civil Service.<sup>57</sup>

The Coalition is keen to avoid the perceived mistakes of the past. One Conservative MP referred to "the sort of Blair condition of a Criminal Justice Bill every bloody year",<sup>58</sup> and a Liberal Democrat adviser cautioned against "just assuming that way to solve every problem is to have a whole blizzard of laws and regulations and 'new things'".<sup>59</sup> The prime minister's former director of strategy, Steve Hilton even famously stated that he wanted to have a Queen's Speech that introduced no new legislation at all.<sup>60</sup>

It is sensible to ensure that sufficient time and energy is devoted to the successful implementation of the major legislative reforms passed to date. In passing, however, it is worth highlighting that on an annualised basis the 2010-12 session actually saw fewer bills passed than in any comparable period during the Labour years, albeit that some of these were fairly sizeable.<sup>61</sup>

And in any case, government will naturally need to continue to develop new policies and legislation in response to events and political demand. As one civil servant pointed out to us, "there are questions over whether a programme for government could ever take you through five years, or whether five years is a long enough time with the sort of granular detail you have to get into to have an effective programme for government".<sup>62</sup> This corresponds with the notion that coalition agreements are 'incomplete contracts', "unable to anticipate all the significant events likely to face a government over its lifetime".<sup>63</sup>

In the event, the 2012 Queen's Speech contained no fewer than 25 bills, including the headline Lords Reform Bill that is expected to dominate the session. We were also told by insiders that some departmental bids for bills had to be pushed back to later sessions due to lack of time.<sup>64</sup> Among those items that did make it into the speech were plans for



legislation on the banking sector, labour market policy, state pensions, energy strategy, adult social care and families and children policy. Shortly following the Queen's Speech, a wide-ranging review of anti-social behaviour legislation was also announced.<sup>65</sup>

Meanwhile, the Government is developing policy on reform of the higher education sector, party funding and lobbying. Legislation on media regulation, following the conclusion of the Leveson Inquiry, is also possible. In addition, designing a meaningful growth strategy represents a major government-wide task, as does the development of a coherent pro-Union case, possibly including a "devolution plus" constitutional package, in the face of the threat of Scottish independence. By 2015, the prime minister and deputy prime minister will also wish to be able to report progress in achieving their personal priorities of tackling social breakdown and improving social mobility. Last but not least, there is expected to be a second spending review in 2013 or 2014, setting out further detail on how the Government plans to eliminate the structural deficit.

Overall, the idea that the Government will spend the second half of its term purely implementing and tending its 2010-12 reforms therefore seems slightly naive. On the contrary, there is a large inbox of issues for the Coalition to deal with. The question is not whether the Government recognises the need for action in many of these areas, but whether the two halves of the Coalition will be able to agree upon a shared way forward in many of these contentious areas.

The risk, as illustrated by clashes over the Beecroft proposals to liberalise employment law,<sup>66</sup> is that the two sides will cancel each other out, vetoing each other's initiatives, and resulting in deadlock and drift. A cross-government review and renegotiation of the policy agenda would offer one potential way out of this trap, since the two parties could place all the big issues onto the negotiating table – as in May 2010 – allowing for a shared new agenda to be hammered out. But is this realistic?

## A coalition agreement 2.0?

Early in the life of the Coalition there was talk of a full refresh of the Coalition's programme. We were told that the two parties' policy heads – Oliver Letwin and Danny Alexander – had been put in charge of thinking through the possibility of a second coalition agreement, but according to interviewees and media reports the impetus towards this has faded.<sup>67</sup> One interviewee from a policy department confirmed that ministers had been asked by the Centre to work up possible contributions for a 2.0 agreement, but that nothing further was heard subsequently.<sup>68</sup> A number of senior officials we spoke to thought that there would be merit in trying to formulate a new agreement of this kind, but there was generally a resigned sense that political considerations would render this impossible.

The main hurdle in undertaking a complete renegotiation of the programme is the risk of failure. To many interviewees, this difficulty overrides the potential benefits of a second programme for government: "There's just something in me that says it would be more hassle than it's worth...Why should we have a row?" said one Liberal Democrat minister.<sup>69</sup> Whether the parties could recreate the original spirit of co-operation that was present in May 2010 is doubtful. And without the pressure to produce a coalition agreement that existed in the days after the election, it is harder to see the parties agreeing so readily



to compromises. A Conservative MP close to the leadership confirms that the early enthusiasm for a second agreement waned amid “political realisation that coming up with a whole new slew of policies on which both coalition parties can agree is going to be much, much more challenging than trying to work on getting existing policies to deliver”.<sup>70</sup>

Further, as Liberal Democrat thinker Tim Leunig put it, seeking to renegotiate “would be very risky for both sides because if they couldn’t come up with a coalition agreement, what would they do? ... A serious negotiation has to have an alternative, and in this case the alternative is the end of the government”.<sup>71</sup> Neither side would favour such an outcome, but particularly if conducted in the public spotlight, a failed attempt to agree on a new policy programme might well raise questions about the sustainability of the Coalition.

The Government might seek to conduct its negotiations in private – the limited moves down this path so far have been kept beneath the radar. But the likelihood of leaks would be high. And pressure would also mount for wider party involvement in the negotiation process, reducing the room for manoeuvre of the negotiators. The Liberal Democrats have already passed a conference motion calling for “the programme of the Coalition government in the second half of the parliament ... to be agreed by the Federal Executive and Federal Policy Committee”.<sup>72</sup>

Meanwhile, a serious attempt to thrash out a new coalition programme could be portrayed by the Coalition’s critics as an admission of failure, suggesting that the original programme for government and the Coalition’s agreed direction were defective. Whether successful or not, negotiations for a new programme could be seen as a sign of weakness and of a shift to ‘Plan B’.

For these reasons a full programme renegotiation seems unlikely. However, international experience shows that there is a range of approaches to mid-term renewal from which the UK Coalition could learn useful lessons.

## Lessons from elsewhere

Coalition agreements have become more common over time across the democratic world,<sup>73</sup> reflecting the desire of parties to clarify upfront what they will achieve from entering coalition, and the utility of having a contractual document to resolve disputes. Not infrequently, however, coalitions find that new circumstances or challenges require a change of course in mid-term. Reopening the initial deal often proves tricky, as the following examples illustrate. Nonetheless, some positive examples of renewal can be found.

### **Scotland**

The ‘partnership agreement’ published by the first Labour-Liberal Democrat Coalition in Scotland in 1999 was a rather loose document, characterised by one aide as “in many cases an agreement to agree, with relatively few detailed policy commitments”. While this increased the Government’s flexibility, it also ensured that “there had to be considerable negotiation between the parties on detailed aspects of policy”, on an ongoing basis.<sup>74</sup>

When Henry McLeish became first minister in 2000, he was keen to put his stamp on the Government by developing a revised agreement. The Liberal Democrats, however, responded somewhat negatively to this initiative, viewing it as an attempt by the incoming head of government to “renegotiate some essentials of the deal” struck with McLeish’s late predecessor Donald Dewar, leading to a few days of inter-party tension.<sup>75</sup>

Consequently, the plans had to be scaled back somewhat. The new policy programme eventually published, in January 2001, was less a wholly new coalition agreement, and more of a progress report on existing pledges, as well as a mechanism for updating and providing further detail on the Government’s plans across 14 policy areas, in some cases reflecting announcements made since the initial coalition agreement.<sup>76</sup> But there was some room to add a few new policy commitments. Notably, following some tense negotiations between the parties, and between Edinburgh and Westminster, the revised programme included a pledge to introduce free personal care for the elderly.

When the Scottish Coalition was reformed after the 2003 election, the two parties produced a much more detailed programme than four years earlier, with the Civil Service heavily involved in its production.<sup>77</sup> This document was subsequently felt to be restrictive of innovation, due to the high level of policy detail agreed up front. The former Scottish government permanent secretary has been especially critical, describing the list of 460 commitments with no agreed prioritisation between them as a self-imposed “straitjacket” for the parties.<sup>78</sup> Interviewees confirm that it was difficult to develop new policies outside of the agreement, partly because the extensive programme was more than enough to fill the time of civil servants and Parliament, and partly due to the need to meet the provision in the coalition agreement that “matters of new executive policy outside this agreement must be agreed by both partnership parties”, meaning the parliamentary groups.

Half-way through the term, the two party leaders discussed the possibility of revising this document, as the Government had begun to “run out of freshness”.<sup>79</sup> In the event, there was no formal revision of the document, partly because this period coincided with a change of leadership on the Liberal Democrat side. However, there were a series of high-level political conversations between the two parties about the future priorities of the Government that served a useful function in their own right.

In addition, even while the Civil Service machine was focused almost exclusively on implementation of the agreed programme, a separate programme of work within government was set up to assess the nature of longer-term policy challenges facing the nation. This “strategic policy review”, which involved around 60 senior officials, did not seek to review existing policies, but instead to carry out horizon scanning and scenario planning work and to build a consensus on big cross-cutting issues. Ultimately this review had little impact on policy under the Labour-Liberal Democrat Coalition, but did prove influential following the switch to single-party SNP rule in 2007, when there was a deliberate shift to a more joined-up and strategic approach to government.

## Germany

In Germany, the 'Coalition Treaty' is taken very seriously, and negotiated over a period of months, with detailed spending plans built in to the initial agreement. The 2009 agreement, the 189-page Growth Education Unity, contained plans for billions of euros of specified tax cuts, for instance, as well as a commitment to achieving a balanced budget.<sup>80</sup> These commitments have since proved mutually incompatible.

Coalition agreements form an important reference point for departments on an ongoing basis. The federal chancellery keeps track of progress and publishes headline figures for it around the mid-term point.<sup>81</sup> The Coalition Committee, whose membership comprises senior figures from both executive and legislature, meets every week that parliament is in session, and plays an important role in keeping an overview of the agreement and resolving day-to-day policy disputes.

There is some capacity to develop new policies and change direction, however. Angela Merkel, Christian Democrat (CDU) leader, has changed government policy on a number of issues since forming the current coalition with the liberal Free Democrats (FDP). Notably, she abandoned most of the planned tax cuts in the light of the financial crisis, and reversed her government's policy on nuclear power following the Fukushima episode.<sup>82</sup> Another example of major mid-term policy change is Gerhard Schröder's Agenda 2010 labour market reforms in 2003-05, and in particular the 'Hartz IV' welfare reforms, designed to tackle Germany's then high unemployment rate.

In all these cases, the policy changes were the personal initiative of the chancellor, who has more leeway to set new policy directions, as established by the German constitutional principle of *richtlinienkompetenz*. Yet all were controversial, illustrating the political difficulty of moving away from a coalition agreement even in response to serious external challenges. Schröder's reforms led to bitter internal battles within his own party, while Merkel's policy changes were perceived as a direct snub to the FDP and further undermined the unity of the Coalition.<sup>83</sup>

In general, changes to the 'treaty' itself are rare, due to the high transaction costs involved in agreeing them. Under the previous Grand Coalition of the Christian Democrats (CDU and CSU) and Social Democrats (SPD), agreement on far-reaching health reforms was achieved in a summit between the party leaders that lasted seven hours.<sup>84</sup> Also during the Grand Coalition, the whole Cabinet went for occasional weekends away together to develop new projects and policies in response to new pressures. The result of these 'Cabinet retreats' was a series of addendums to the coalition agreement.<sup>85</sup> For instance, in January 2006, the Cabinet spent two days at the Genshagen Castle hammering out agreement on a €25 billion growth and jobs package among other things, while effectively agreeing to disagree on health reform.<sup>86</sup>

An attempt to start a much longer-term renewal process, moving well beyond the constraints of the current coalition agreement was recently launched by the German Chancellor. This initiative, the "Future Dialogue", was set up to address long-term challenges to do with social cohesion, the economy and learning and education,

and involves 130 experts divided into 18 groups, and also incorporates a large public consultation exercise – with members of the public invited to submit policy ideas and the top 10 being invited to meet the chancellor.<sup>87</sup>

## **Sweden**

The programme agreed by the parties in Sweden's ruling Alliance Coalition (in power since 2006, in a minority since 2010) was developed in advance of each election as the shared manifesto of the four coalition parties. Instead of setting out a programme for the full parliamentary term, the Government set out two categories of pledge: promises of things they would do and ambitions for things they hoped to do. The 2010 programme included firm pledges to cut taxes for pensioners and increase subsidies for locally-provided education, health and welfare services. In addition, the document set out "reform ambitions", including in-work tax credits and a rise in the income tax personal allowance, which were explicitly made subject to fiscal circumstances.<sup>88</sup> The latter category of policies is dependent on sufficient money being available. As a result, the Government's programme is renewed regularly, as the parties negotiate which policies to prioritise each financial year in light of available funds.<sup>89</sup>

Policy renewal within the Swedish Coalition also reflects the fact that the Alliance expects to stand again on a joint platform at the next election. In preparation for that, the four coalition parties have already commenced the long process of agreeing on their shared policy programme for the 2014 poll. An official in Stockholm described how this begins with the establishment of a number of separate working groups that feed back ideas to the leadership.<sup>90</sup> All policy proposals are fully costed, and negotiation between the parties then leads to the agreement of a single policy platform for the election.

In addition, another adviser referred us to the recently established Commission on the Future of Sweden, which was set up to tackle the question of "how to be visionary" after several years in government.<sup>91</sup> This body involves a wide range of experts as well as political figures and members of the public. The Commission is carrying out "four future-oriented inquiries" into big challenges such as demographic change, social integration and sustainable growth and its conclusions will then feed into the parties' own policy development processes.<sup>92</sup>

## **Ireland**

Like those in Sweden and Germany, Irish programmes for government are made on the basis of specific economic and fiscal forecasts; they are also generally reviewed midway through the parliament. Noel Dempsey, a minister in several coalitions in Dublin, confirms that the mid-term renewal has become a regular part of the cycle of coalition government, allowing ministers and civil servants to assess progress against their original programme, look at the state of the economy, and set out what they can realistically hope to achieve in their remaining time.<sup>93</sup>

One former senior official spoke of the utility of the mid-term review, describing it as an opportunity for a sensible conversation between the parties and also with the Civil Service, who can use the process to tell their ministers "this is what's realistic and what's not".<sup>94</sup>

In addition, by the two-year mark the Government might be in a better position to make more detailed commitments, for instance in the area of capital infrastructure investment, since the “thinking would have developed by this stage” following preparatory work in the interim.<sup>95</sup> In general, however, the programme review is generally “more about scaling down than about a lot of bright new ideas”.<sup>96</sup>

This was the case during the last programme renewal exercise, carried out in 2009 by the Fianna Fail-Green Coalition. Their programme for government had been agreed in 2007, before the financial crisis had struck, and was based on a predicted average GDP growth rate of 4.5%.<sup>97</sup> By October 2009 the Irish economy had plunged into recession rendering much of the programme unachievable. In addition, inter-party tensions relating to the Government’s response to the crisis had put the survival of the Coalition in question, with the smaller Green Party threatening to pull out. The review also came in the wake of local elections at which Fianna Fail (FF) suffered their worst ever results, seen as a judgement of their performance in coalition with the Greens at the national level.<sup>98</sup> In this context, the decision was taken to renegotiate the deal.<sup>99</sup> Following what were described as “exhausting and tortuous negotiations”<sup>100</sup> between a small group of ministers from each party, a new document was agreed, setting out a programme designed to sustain the Coalition up till 2012.

Noel Dempsey recalls that the typical pattern in programme renewal exercises is for the smaller party to “flex their muscles”, using the threat of withdrawal to gain policy concessions from the larger partner. Nonetheless the larger FF found the exercise a useful way to refocus the government,<sup>101</sup> and to tie in the junior party. A source from FF was quoted at the time saying “I hope they [the Greens] realise they are in for the two and a half years; you’re in and you stay in.”<sup>102</sup> From the smaller party perspective, a former Green minister argues that the 2009 renewal provided a useful opportunity to make the case that “ok we’re making cuts, but we’re protecting education, enterprise etc”.<sup>103</sup> In other words, the renewal process was a way to reaffirm and emphasise the Coalition’s top priorities.

### ***The Netherlands***

The Dutch government also sets out its programme on the basis of specific economic and fiscal forecasts. The agreement is expected to incorporate all of the Government’s major policy and spending allocation decisions for the full parliamentary term. Renegotiation in mid-term has occurred a few times, but only in response to economic deterioration.<sup>104</sup>

Most recently, in April 2012, the Coalition in The Hague sought to agree a new set of austerity measures outside of the original coalition agreement, in order to comply with the budget deficit limits prescribed by the EU Fiscal Pact and the revised Stability and Growth Pact.<sup>105</sup> After over six weeks of negotiations, these talks failed even though the two coalition parties (the Liberal VVD and Christian Democrat CDA) themselves came to an agreement to bring down the deficit to 3%.

The reason for the failure of this renewal initiative was that the coalition lacked a majority and relied upon the support of the rightwing populist PVV party, which had committed

at the start of the parliament to back the government's budget plans. The PVV refused to go along with the proposed programme revision however, triggering early elections due in September 2012.

Martijn van der Steen of the Netherlands School of Government argues that the failure of these talks "exemplifies the difficulty of renegotiating in mid-term". He points out that most recent Dutch Coalitions have fallen early due to the difficulty of keeping all Coalition partners happy in the context of political fragmentation, with eight parties now represented in parliament and each needing to work hard to maintain their distinctive profile.<sup>106</sup>

## **Wales**

In Wales, interviewees told us that the two coalition agreements (of 2000 and 2007) sometimes acted as a constraint on the Government's agility and capacity to innovate. A former senior official from Cardiff told us that the Welsh Coalition agreement of 2007 was a "long shopping list" of items, and that having been formed at "a time of plenty" it was difficult to change course when the economy deteriorated.<sup>107</sup>

Paul Griffiths, a Labour adviser conceded that "thinking outside the agreement was not necessarily normal practice" and that ministers disinclined to be innovative found succour in the coalition agreement, avoiding the difficult negotiations that new policy development would require.<sup>108</sup> Another ex-adviser recognised that "If it was in the agreement, it had to happen. If it wasn't, it wasn't part of the programme", but also recalls that some big policy decisions, such a change on university tuition fees policy, were taken outside the agreement, though these required extensive negotiation.<sup>109</sup>

## **The Blair government**

Another relevant case is that of the Blair government, which sought after the 2005 election victory to conduct a detailed policy review to set out a new course for the government. The political context was the knowledge that Tony Blair would shortly be departing. This 'Pathways to the Future' policy review consisted of six policy review groups staffed by cabinet ministers and outside experts. These worked under the deliberately cross-cutting headings of public services, crime and justice, the role of the state, environment and energy, Britain and the world and economic dynamism (the latter chaired by Gordon Brown, the remainder by Blair). Supported by the Prime Minister's Strategy Unit, the project involved 20 Cabinet-level meetings, 62 policy papers, 16 sessions with non-cabinet ministers, and five regional forums with members of the public.<sup>110</sup>

Those involved on both the political and the Civil Service sides tell us that the underlying analytical work conducted for this process was useful and well thought through, but that the process was undermined from the start by the fact that Gordon Brown – shortly to become prime minister – showed little interest in, or support for, the initiative. Consequently, this renewal process had little purchase on actual future policy development.

Pat McFadden MP, who was closely involved, tells us: “Ultimately what that came down to was whether Gordon Brown wanted to carry on in a similar direction in terms of policy reform to Tony Blair or not, and his decision was not.”<sup>111</sup> The lesson to be drawn, according to a former senior adviser, is that “your renewal ... has got to take account of the politics” and that looking at the problems in an abstract “McKinseyish” way will not work.<sup>112</sup>

## Renewal options for the UK Coalition

Renewal can be in part a presentational exercise. The joint speeches by David Cameron and Nick Clegg in Basildon on 8 May 2012 were widely seen as an attempt to refresh the image of the Government following poor local election results for both parties. The emphasis was on economic recovery and growth.<sup>113</sup> The following day, the introduction to the Queen’s Speech by the two party leaders also reaffirmed their shared focus on the Coalition’s “most urgent task ... to tackle the nation’s record debts and foster growth”, and underlined the Coalition’s shared (if uncontroversial) values of ‘opportunity’ (which seems to have replaced ‘freedom’ since 2010), ‘fairness’ and ‘responsibility’.<sup>114</sup>

Joint statements and appearances can provide a useful symbolic demonstration of the ongoing commitment of the party leaders to the Coalition. However, the lasting impact of such initiatives will be minimal if unaccompanied by the development of a clear shared policy agenda for the second half of the term. Substantive renewal is also needed.

1. **The central objective of mid-term renewal should be for the two coalition parties to reaffirm their commitment to working together** to tackle specified economic, social and institutional problems facing the country, while keeping on track to eliminate the Government’s structural deficit. The survival of the Coalition depends on the two parties’ ongoing ability to negotiate in good faith, to compromise, and also to maintain a shared understanding of what are the priorities for action. At present, tensions over economic policy and public service reform threaten the stability of the Coalition. The two sides should come together to reforge their partnership and to secure the viability of the Government.
2. As a first step, **the Government should create a clear and transparent reporting mechanism for progress against the programme for government to make clear where it is up to in delivering on its shared agenda.** As noted, the Government has conducted an assessment of programme for government completion rates but has not made this data public, other than in occasional references to the headline figure. In regular reporting of progress in completing business plan actions, the Coalition has lived up to its commitment to increasing transparency in government. But the programme for government enjoys a greater standing in both parties and among the wider public, so a similar standard of openness should be applied to its progress in order to re-emphasise its importance. The most logical way to accomplish this is not to create an entirely separate monitoring mechanism but to ensure that there is a clearer link between business plans and programme for government commitments, as the Institute for Government has previously recommended.<sup>115</sup>



3. Drawing on data from the above, **the Coalition should publish a formal mid-term progress report or stocktake** in which it demonstrates what progress has been made in delivering programme for government commitments. This might be published in autumn 2012, which will mark the half-way point of the Coalition's planned five-year term of office. Aside from symmetry, another good reason to conduct a renewal exercise at the mid-point is emphasised by Sir John Elvidge: "assuming it's going reasonably well, you've got the point of maximum trust between the coalition parties", before electoral concerns start to dominate.<sup>116</sup>

The mid-term stocktake should report on what has been achieved and what needs to be done to meet the ambitions set out in May 2010.<sup>117</sup> It should combine a general review of developments and progress on the Coalition's core mission with an update on what has been done to meet the pledges set out in the programme for government. People close to the Coalition confirmed that something along these lines was being planned for mid to late 2012, though the final decision appears not to have been taken.

4. **The Coalition might also move to a model of producing annual progress reports on its programme.** The Fianna Fail-Progressive Democrat government in power in Ireland from 1997-2007 provides an example of how this could be done. The original programmes for government were published at the start of each parliament (1997 and 2002) and progress reports were produced each year until the next election. The Northern Ireland executive also produces an annual progress report, recording the status of its targets and priorities.<sup>118</sup> An additional part of this process would be to outline an agreed plan for implementing the remainder of the programme for government. This would entail an articulation of the steps required to carry out unfulfilled or incomplete pledges from 2010.
5. The production of these progress reports should not just be a technocratic exercise, used only as a monitoring tool within the executive. Instead, **the mid-term review should be used as an opportunity for cross-party political reflection on what has worked so far and what the Coalition should focus on next.** Former Cabinet Office minister Pat McFadden argues that all renewal exercises "should begin with ... an honest stocktake internally of what worked and what didn't. Then an assessment of where that's taken you, so 'Where are we now?'... And then it's 'Where do you want to go?' and that requires a real understanding of your direction of travel in any particular area".<sup>119</sup>
6. **The mid-term review should be clearer than the original programme for government about prioritisation.** There should be greater clarity about what the top priorities are for the next two to three years, and the proposed timetable for implementation. Prioritisation is a matter of allocating scarce financial resources as well as a matter of timetabling. At present, unlike in Germany and the Netherlands, for instance, the UK Coalition's policy programme is not clearly linked to the detailed spending plans, with the programme for government and spending review negotiated and monitored separately from one another. The initial separation was probably inevitable, given the time pressures the parties were



under in May 2010. However, the result has been to undermine the centrality of the programme for government, while departments are forced to report separately to the Treasury on their implementation of spending cuts and to the Cabinet Office on progress against business plan and structural reform actions (in turn derived loosely from the programme for government). The departmental five-year plans published under Labour in 2003-04 were similarly undermined by their weak connection with spending review commitments monitored by the Treasury.<sup>120</sup>

7. **The Coalition should therefore develop a clearer link between policy commitments in the programme for government and fiscal plans as agreed through the spending review and budget processes.** This change would be in line with the recommendation of the House of Commons Public Administration Select Committee (PASC) to develop “clearer links between long-term objectives and specific budgetary measures”.<sup>121</sup> As in Sweden, the Coalition might also use the review to explicitly differentiate between those policies they are firmly committed to, and those that will be pursued subject to amenable economic and fiscal conditions.
8. **As part of the mid-term review, the Coalition should allow for openness about those policy commitments that have been amended or dropped since 2010** in response to changing circumstances, new evidence or a change of mind for political reasons. Sir John Elvidge argues that in a mid-term review, government must find a way “to identify activity which seemed appropriate at the time of the programme for government, but which no longer seems appropriate”.<sup>122</sup>

In Ireland, mid-term reviews have served the function of providing a space for the formal abandonment of policies that have fallen down the priority list, according to former minister Noel Dempsey. This is particularly important when economic circumstances have deteriorated. The message conveyed can be “we’re not going to achieve some of the aims we set out to achieve...but if we get a second term we will”.<sup>123</sup> The UK Coalition will presumably not be making an explicit case for a second term, but the individual parties would be able to use the mid-term review to feed into their manifesto development processes.

9. **The mid-term review should also clarify what actions are to be taken on matters where the programme for government was non-committal, vague or silent,** for example in the more than 30 policy areas referred to commissions or policy review for consideration (including banking reform, local government finance, the Human Rights Act, sentencing policy, legal aid, libel law and more).

In Scotland, the renewed programme for government signed after Henry McLeish became first minister performed this function, by turning a rather loose initial coalition agreement into a set of actions that carried the Scottish Government through to the 2003 elections. Irish interviewees also told us that in areas where agreement had been impossible at the start of the Coalition, the mid-term review could firm up the Coalition’s plans based on evidence-gathering and groundwork conducted in the intervening period.

10. Importantly, **the mid-term renewal process could offer an opportunity to place the Coalition's policy commitments within a broader strategic framework.** In place of a long undifferentiated list of items, there should be an attempt to develop a clearer statement of the Coalition's overarching objectives for the next two to three years and of how the specific planned policies will help to achieve them. PASC recently made a similar proposal, expressing "little confidence that policies are informed by a clear, coherent strategic approach, informed by an assessment of the public's aspirations and their perceptions of the national interest".<sup>124</sup>

As part of this, the mid-term review should make plain where new joint priorities have emerged, such as promoting growth, rebalancing the economy or defending the Union against the threat of Scottish independence, and should establish the steps that will be taken in these areas. Particular emphasis should be placed on resolving differences in areas of major ideological dissonance, such as the tension between liberty and security in counter-terrorism policy.

11. At the same time, **the renewal process should seek agreement on a few identifiable policy 'wins' for each party.** As discussed above, the benefit of a government-wide programme rethink is that trade-offs can be made across different policy sectors as occurred in the original Coalition negotiations. This should create room for the two parties to concede to policies they might otherwise oppose, on the understanding that they receive something in return. Of course, it is crucial that policies agreed through this type of horse-trading process do not conflict with one another nor undermine the core shared economic and public service reform agenda. The Irish programme review of 2010 offers an example of a mid-term renewal that gave both parties a reason to stay in government together, while binding the two sides together around the core deficit reduction agenda.
12. **A recognition of the issues where the parties cannot reach agreement should also be sought.** In some cases the coalition parties might simply need to state that consensus is not possible, and to shift these issues into the manifesto development process. The German cabinet retreats show how a divided government, comprising parties open about their preference for alternative partners, was able both to reach agreement in mid-term on a set of significant new policies, and also to agree to disagree in other areas without undermining the stability of the Coalition.
13. Crucially, **the Coalition should avoid focusing too narrowly on planning how it will implement existing policies at the expense of fresh thinking.** As discussed, this can be a particular weakness of coalition governments, where having undergone a tough initial policy negotiation process, the parties have no desire to reopen the issue in the light of new evidence. One senior figure questioned the UK Coalition's desire to hear unpleasant truths about its policies, stating "I don't know whether this is a learning government".<sup>125</sup> He emphasised the need for government to listen to external views and to have a process for stepping back and assessing what was going well and badly.

14. **Government renewal should be perceived as a process not an event.** That is to say, the value of a renewal initiative does not relate solely to the content of any revised policy document that might emerge, but also stems from the creation of a forum for dialogue between the coalition partners about what still unites them and what they wish to achieve in their remaining time in office. To some extent, policy dialogue is ongoing through existing ministerial networks, the Quad and so on. But day-to-day concerns are likely to crowd out space for more strategic thinking.
15. **A key objective should be to encourage ministers to think creatively about policy development outside of their own departmental box.** As noted, the Blair era 'pathways to the future' process included a series of ministerial meetings around broad themes such as economic dynamism and public service reform, supported by detailed analytical work from the Prime Minister's Strategy Unit. Similarly, in Ireland, civil servants sought to carve out some time in cabinet committee meetings for discussion of major long-term challenges such as the ageing society and climate change, and would bring in academics and other experts to present to ministers the latest evidence and policy thinking. The objective was not necessarily to come up with agreement on new policies, but simply to facilitate dialogue informed by a shared evidence base.<sup>126</sup>
16. **Bringing in external challenge would counteract the tendency of ministers to get absorbed into the executive at the expense of wider connections** with stakeholders, think-tanks and other sources of policy ideas, a tendency that several of our interviewees bemoaned. One former adviser to Tony Blair noted that "when you're in opposition you have a lot of interaction with outside stakeholders, and they're generally people who like you," but in government many of the existing networks tended to wither.<sup>127</sup>
17. **Mid-term renewal of the Coalition cannot just be a matter of internal discussions within the executive.** A former adviser to the Irish Labour Party recognised the danger of ministers losing touch with the party due to their focus on "ministering" – he recalls pre-Cabinet meetings of Labour ministers in which the only subject they wanted to discuss was Cabinet business even though there was an election looming.<sup>128</sup> A senior figure in the Swedish Moderates Party also emphasised the difficulty of generating new policy ideas within the executive alone: in his view, the parties must develop their own policies independently and then feed those in to Coalition negotiations.<sup>129</sup> At Westminster, both Conservatives and Liberal Democrats have developed backbench committees of MPs and peers to ensure that there is ongoing party input into the workings of government.
18. **Involvement of the parties in policy renewal must go beyond the parliamentary parties to the party membership.** Some Liberal Democrat activists argued to us that being in government had weakened the party input into the policy process.<sup>130</sup> Responding to such concerns in the context of the NHS reform debate, the Liberal Democrat leadership (in the person of Nick Clegg's then parliamentary private secretary Norman Lamb) told the party conference in spring

2011 that “the party needs to be fully engaged” in developing and approving future new policy initiatives outside the initial coalition agreement.<sup>131</sup> And in February 2012, the party went further, commencing a formal “mid-term review” of its own, calling on local parties to feed in policy ideas for the second half of the session.<sup>132</sup> On the Tory side, the Conservative Policy Forum (founded in 1945 when the party was about to withdraw from the previous coalition government) provides a regular channel of views and contributions from party members to the leadership, although the focus is principally on influencing the 2015 manifesto rather than policy development before then. These consultation processes should be taken seriously, since failure to engage effectively with the wider parties is likely both to undermine the stability of government and also to shut off one very important source of new policy thinking.

19. **It is also useful to facilitate wider cross-party dialogue on a more informal basis.** The ‘Coalition 2.0’ group provides a positive example of this. This forum was reported in the media as being part of the attempt to create a full second coalition agreement. However, participants warned us to ignore this “mythical” view of the group. In practice, we were told, it is a purely “informal grouping” that provides an “off-the-record place” for ministers, MPs and thinkers from the two parties to meet people from the other party and talk openly on an off-the-record basis.<sup>133</sup> At each meeting – held over dinner at the home of Liberal Democrat donor Paul Marshall – there tends to be a theme to the discussion, such as devolution or education. While useful, this body had no formal remit. As Liberal Democrat Tim Leunig put it: “If Coalition 2.0 ends in disharmony and we throw lasagne at each other, then that’s fine – we don’t meet again, [but] nothing changes.”<sup>134</sup>
20. Finally, it is important that as part of its mid-term policy renewal the government does not project forward only up to 2015. **The Coalition should engage in longer-term horizon scanning and consideration of policy issues that stretch beyond the next election,** such as energy policy, social mobility issues and the impact of demographic change. This can be particularly challenging for a coalition government, given that the two parties will not be making a pre-emptive commitment to work together again after the election. The Swedish, Scottish and German governments’ long-term policy initiatives offer possible ways of addressing this challenge. However, as a strategy professional in Whitehall pointed out to us, even deciding upon the questions to ask in a horizon-scanning or foresight exercise can be a political judgement, so such initiatives will test the ability of the Conservatives and Liberal Democrats to work together over the next few years.<sup>135</sup>

## 4. Reshuffles and machinery of government change

The development of new policy is only one way by which governments refresh themselves in mid-term. Before the 2010 election, ministerial reshuffles and machinery of government changes were also common tools used by prime ministers to revitalise their cabinets or give greater profile to a particular policy area.

The “very British ritual of the reshuffle”<sup>136</sup> occurred on a near-annual basis during the Blair and Brown governments. Similarly, the creation, abolition and merger of Whitehall departments were frequent sights during the Labour years and the preceding Major and Thatcher administrations.

Under the Coalition government, both these forms of government reorganisation are notable for their non-occurrence. This is partly the result of the incoming administration and prime minister deliberately and sensibly adopting a different approach. Under the previous government it was widely perceived that changes to personnel and structures were made too frequently and often for the wrong reasons. The stability of the first two years under the Coalition is welcomed by many in Whitehall.

However, the other reason why the present administration has not yet resorted to reshuffles and machinery of government reorganisation is that such changes are inherently more difficult to carry out under a coalition. Though often misused, these tools can make a useful contribution to the task of mid-term renewal, and the constraints on their use therefore make this task more difficult still.

### Reshuffles

In his first two years as prime minister, David Cameron did not reshuffle his cabinet or wider ministerial team except for moves needed to replace ministers who had resigned. In each of these cases (David Laws in 2010, Liam Fox in 2011, Chris Huhne in 2012, and a small number of junior ministers), the minister in question was replaced by someone from their own party – a pattern repeated in the changes needed as junior ministers and parliamentary private secretaries (PPSs) shuffled up the system. This means that the ratios of 18 Conservatives to five Liberal Democrats in Cabinet and of 59 to 12 junior ministers respectively have been maintained.

Whether there would have been a reshuffle in a majority Conservative government is impossible to say, but it is well known that the party leadership were keen to avoid the ministerial carousel of the Blair-Brown years. Cabinet Secretary Sir Gus O’Donnell is also said to have recommended dropping the annual reshuffle when Cameron arrived at Number 10.<sup>137</sup> The average tenure of cabinet ministers declined from over three years in the first two Thatcher governments, to two and a half years in the first parliament of Blair’s premiership, and then to 1.4 in the 2005-10 parliament. Junior-ministerial tenure has been shorter still.<sup>138</sup> Former Cabinet Office minister Pat McFadden feels that “the tradition of the annual reshuffle is not a helpful one”; although changes to personnel may be necessary,

this was not a good way to do it.<sup>139</sup> There is a risk of 'short-termism' if ministers come to expect frequent changes in their jobs and concentrate on quick wins rather than long-term thinking.

Reflecting on the lack of changes since May 2010, many civil servants are pleased with this period of relative stability: "From a Civil Service perspective, I think it's quite refreshing seeing ministers in a job for as long as you would expect somebody to be in a job for in the real world".<sup>140</sup> McFadden agrees that "it takes you six months to get your head around the department anyway; so if you've got a new secretary of state after a year, you've got to start that process again".<sup>141</sup> In our report *The Challenge of Being a Minister*, the Institute recommended that secretaries of state remain in post for at least three years and junior ministers for at least two.<sup>142</sup>

The reduction in ministerial churn since 2010 is therefore something to welcome. But part of the reason for this change is that a coalition prime minister has significantly less room for manoeuvre in determining the make-up of his own cabinet. In particular, David Cameron cannot reshuffle Liberal Democrat ministers "without full consultation with the deputy prime minister", according to the coalition agreement for stability and reform. This coalition rulebook also makes explicit that Nick Clegg holds a veto over "any changes to the allocation of portfolios between the parliamentary parties during the lifetime of the Coalition". This also reduces the prime minister's options in reshuffling his own party colleagues, since there are fewer jobs to go around in what is already a smaller cabinet than its predecessors.

Examples from overseas and devolved governments support the idea that reshuffles are rarer in coalition governments. An academic study of ministerial tenure found that the positions of coalition cabinet ministers were "substantially more stable than ministers in single-party majority governments".<sup>143</sup> In Germany and the Netherlands, ministers are replaced if they stand down but there are rarely wider reshuffles, and the reallocation of portfolios between parties is very rare other than as part of a change of government or around an election. In Sweden, where the previous single-party Social Democratic government was well known for reshuffles, the current Alliance Coalition has not used mid-term reshuffles so far in its six years in office.<sup>144</sup> Scandals and resignations have triggered a number of less extensive changes, however.

As first minister of Scotland, Jack McConnell felt that he had "the authority and leadership" to make changes among his own (Labour) party ministers, but was constrained when it came to Liberal Democrat colleagues, telling us that there was "at least one, if not more, that I would have wanted to move". McConnell did "not necessarily want to sack them, but to give some fresh energy to a portfolio or whatever; there are changes I would have wanted to make that proved difficult".<sup>145</sup>

This is a reminder that while the frequency of reshuffles in past governments tended to be disruptive and counterproductive, there are times when a judicious reallocation of ministerial portfolios can help to give an administration a new lease of life. Reshuffles also serve as an effective form of performance management of current and aspiring ministers, and can also counteract the tendency of ministers to "go native" in their departments.<sup>146</sup>

## Machinery of government change

Similar calculations apply in the case of departmental reorganisations. Traditionally, Downing Street has been able to revise departmental boundaries rather like European powers once redrew the map of Africa, with little consideration for those the changes would directly affect. Under Labour, many departmental changes were made with little preparation or business case for the change, resulting in a 'productivity dip' in some cases.<sup>147</sup> The Department for Innovation, Universities and Skills (DIUS), for instance, was created from scratch in a few "chaotic" days after a reorganisation at the start of Gordon Brown's tenure. It lasted just two years, before the return of Peter Mandelson to the Cabinet led to the creation of a suitably large ministry with the merger of DIUS and the business department.<sup>148</sup> Then again, there are occasions where structural change can be used to improve joining up between hitherto separate policy domains – as for the creation of the Department of Work and Pensions (in 2001), which is seen as having represented a logical and effective change.

The stability of the Coalition's departmental structure matches that of its ministerial line-up. After the election, the equalities portfolio moved to the Home Office, constitutional affairs from Justice into the new Deputy Prime Minister's Office, and the creation of the Office for Budget Responsibility saw fiscal forecasting functions taken out of the Treasury. Since then the only change has been the transfer of media regulation powers from Department for Business, Innovation and Skills to the Department of Culture, Media and Sport after the business secretary was recorded claiming to have "declared war" on the Murdoch media empire.

This track record is unusual for British governments. And as with the non-use of reshuffles, the explanation is twofold: the Conservatives were anyway sceptical of the value of major changes to the departmental structure and it is unlikely that they would have undertaken large-scale changes had they won a majority. But the dynamics of coalition have reinforced this stability: "Having posts split between parties somewhat freezes the structure of departments" in a coalition,<sup>149</sup> said one interviewee.

## The potential for change

During the first half of 2012, there was widespread speculation that a reshuffle and possible accompanying machinery of government changes might be on the cards. One specific change mooted was splitting the Home Office once more, to create a new department responsible for immigration and citizenship matters, with justice and policing functions remerged as was the case pre-2007.<sup>150</sup> There has also been speculation that the Department of Culture, Media and Sport might be merged into another department as part of a summer or post-Olympics reshuffle.<sup>151</sup>

Thinking further ahead, interviewees suggested that this may be followed up by another reshuffle around six months out from the next election – presuming that the Coalition lasts until then – to allow the parties to refresh their teams for the election, and to present their prospective frontbenches in a future government.<sup>152</sup>

There is no constitutional reason why there should not be a broad-ranging reshuffle across the Cabinet to give the Coalition refresh momentum into the second half of its term. But



“a grand renegotiation of positions” between the parties would be difficult to conclude to the satisfaction of all, according to one Tory MP.<sup>153</sup> Posts at the same level of seniority are not all of equal power and stature: the ‘great offices of state’ carry more weight than other departments, while some junior posts carry more responsibility and profile than others. How would the exchange of two cabinet posts be rebalanced in the cabinet or in the lower ministerial ranks? Would it also be necessary to move a junior minister of the same party as the new secretary of state out of the department to maintain the party balance in departments and across the government?<sup>154</sup>

For the prime minister, as leader of the largest party, conducting a full reshuffle would be even more of a “nightmarish multi-dimensional jigsaw puzzle” than reshuffles in normal times:<sup>155</sup> trying to get the right balance of skills, recognising loyalty and ministerial potential, and taking care to represent the different ideological positions within their party, while also maintaining the balance between the two parties.

Only exceptionally are portfolios exchanged between parties in coalitions overseas, although they may be renegotiated to reflect the parties’ changed strengths if the coalition is renewed after a subsequent election. In Scotland, there was a rebalancing in favour of the Liberal Democrats after the 2003 election. But during the parliamentary term, there were changes within each party (including of the party leaders) but no exchanges between the two sides. Similarly, the Swedish Alliance only exchanged portfolios among its four constituent parties after the 2010 election, in light of the changed balance of power between them. In Germany, in 2011 there was an exchange of the defence and interior ministries between the CDU and CSU parties, but these two parties are permanent allies rather than temporary partners, so this is only a partial exception to the rule.<sup>156</sup>

What can happen, however, is for a reshuffle within one party to be seen as shifting the ideological balance of the coalition. In Ireland in 2004, for instance, the Taoiseach moved out two Fianna Fail ministers who were seen as too close to the free-market position of their coalition partners (the Progressive Democrats) by some of their own colleagues. This reshuffle was therefore seen as a blow to the PDs within the Coalition, even though they kept their own portfolios.<sup>157</sup> One can imagine how the appointment of additional ministers from the Tory right would be similarly interpreted as a blow to the Liberal Democrats. Conversely, the enforced departures of Chris Huhne and Liam Fox have had the effect of strengthening the ‘pro-Coalition’ wings of both parties.

The experience of reshuffling their ministers would be different for each of the parties. The main complication for David Cameron is the anger of MPs who might have expected a post in a wholly-Conservative administration but did not end up in the Coalition government. Many backbench MPs who entered parliament in 2001 or 2005 may particularly object to the promotion ahead of them of members of the 2010 intake, and will resent whoever is appointed, irrespective of the new ministers’ talent.<sup>158</sup>

For the Liberal Democrats, there is little sense that a reshuffle is likely or desired: “It’s not obvious where you would move people to.” With five cabinet ministers (two of whom are already replacements following resignations), there seems little need to move them around. Looking at their 15 junior-ministerial positions, “if you only start with 60-odd MPs, the depth simply isn’t there” for a significant shuffling of posts.<sup>159</sup>



An additional complicating factor is the Conservatives' commitment to appoint women to a third of all government posts by the end of this parliament.<sup>160</sup> This would require 32 women to occupy government jobs by 2015, up from the current figure of 14 (among 95 members of the government). With only one female parliamentary private secretary and four female backbenchers, the Liberal Democrats are not in a strong position to assist from the ranks of their MPs. The Conservatives have 33 female backbenchers, 7 female private parliamentary secretaries and one female whip, though a high proportion of their female MPs are 2010 arrivals, whose promotion will further antagonise the already rebellious previous cohorts of backbenchers.

The likelihood remains that there will be at least one reshuffle during the life of this Coalition, but the opportunity for the prime minister to move around his ministers – or to make accompanying machinery of government change – is far more circumscribed than for his predecessors. This brings some welcome stability after years of hyperactive change, but at the same time it makes it harder to achieve wholesale renewal of the Government.

# 5. Renewing while differentiating: what works?

In chapter 3 we discussed the routes that the Government might follow in renewing its shared policy agenda for the coming years. We have argued that such a renewal is necessary. However, the Coalition must undertake its renewal process in a way that preserves the space for each party to emphasise its own policy achievements and values.

This tension – between a shared agenda binding together the parties of government and the need for each party to preserve its own identity – is well-recognised among those who have participated in or studied coalition governments elsewhere. In the academic literature, this balancing act is known as the “unity-distinctiveness dilemma”, in which governing parties seek “to maximise governmental effectiveness while at the same time protecting the identity and distinctiveness of the parties involved (and hence their electoral viability)”.<sup>161</sup>

## An evolving strategy

The UK Coalition is experiencing a continuous learning process about how to manage this challenge. The early emphasis was very much on unity and on demonstrating to a somewhat sceptical nation that the Conservatives and Liberal Democrats were able to work together effectively. The rhetoric of coming together in “the national interest”, heard often in the early days, was a central part of this approach. For the Liberal Democrats, there was also a strategic calculation that the case for electoral reform would be bolstered by the Government’s ability to lay to rest the myth that hung parliaments inevitably lead to “indecision, dithering, inaction and half measures” (as the Conservatives had claimed before the election).<sup>162</sup>

The crucial task of the first few months was to agree on a spending reduction plan that would put the country on track to eliminate the structural deficit by 2015 – which the programme for government made plain was the over-riding objective. In the event, the spending review published in autumn 2010 (as well as the earlier ‘emergency budget’) was concluded without serious dispute between the parties, reflecting the acceptance on the part of the Liberal Democrat leadership of the Conservative deficit reduction plan.

Since those first few months, however, the Coalition has shifted to placing a greater emphasis on “differentiation” between the two parties, a change driven principally by the Liberal Democrats. Reportedly, the initial Liberal Democrat plan was to concentrate heavily on building “credibility” and demonstrating “impact” in the first half of the parliament, with party “identity” emerging as the central objective only towards the end of the term.<sup>163</sup> However, the early controversy over tuition fees, and the dramatic loss of support suffered by the party during the first six months of coalition, persuaded the party leadership to change tack earlier than expected.

In this new phase, it was expected that the two sides would be more open about where they disagreed, and for each party to seek space to emphasise distinctive party

themes, such as social mobility on the Liberal Democrat side, and a tougher approach on immigration for the Conservatives. The May 2011 electoral reform referendum also offered a good opportunity for each side to appeal to their natural supporters, though the pressures of the campaign led to rows within the Cabinet about the tactics adopted by the Yes and No campaigns. More recently, the 2012 Budget was widely interpreted through the lens of 'wins' for each of the two parties, rather than as a single shared agenda.

The passage of the Health and Social Care Act, with its controversial reforms to the NHS, is the single best illustration of the evolution in the Coalition's management of the "unity-distinctiveness dilemma". The parties initially adopted a unified position on the reforms – though possibly only because neither of the leadership teams appreciated the scale and contentiousness of Andrew Lansley's plans.<sup>164</sup> Then, as criticism of the plans became more vocal, and with the tuition fees riots still fresh in the memory, the Liberal Democrat spring conference of 2011 voted against the reforms. Subsequently, the Liberal Democrat leadership took an increasingly assertive public stance against aspects of the bill, pressing for and claiming credit for a number of amendments. Yet ultimately, the two parties voted together in Parliament to push the bill through, with just one Liberal Democrat MP and one peer defying the whip in the final votes in each of the chambers.<sup>165</sup>

## Political party perspectives

Within the Liberal Democrats, there is a lively debate about what differentiation should entail, and how far it should go. Nick Clegg has begun more frequently to herald distinctive Liberal Democrat policy successes – such as the expansion in free childcare – and also to talk up the party's success in amending Conservative-inspired legislation such as the NHS reforms, where he argued that Liberal Democrat pressure had led to "a bill that delivers on the issues that Liberal Democrats have campaigned on for years".<sup>166</sup>

However, there is some frustration within the party – particularly on the social democratic wing – that the leadership is not being more openly critical and confrontational towards the Conservatives. One left-leaning activist characterised the position of the leadership as having reached "the intellectual realisation that we need differentiation but not the political realisation".<sup>167</sup> For those who fear the flight of votes to Labour the solution is a more confrontational attitude to the Conservatives. As the chair of the party's Social Liberal Forum grouping argues: "If Clegg wants to revive Liberal Democrat fortunes, he needs to be willing to distinguish himself more clearly from Tory policy."<sup>168</sup>

The leadership view is rather that the Coalition should be more relaxed about differences being played out in public – one adviser spoke approvingly of the tendency under a Coalition to have "more open debate, which I think is a good thing for democracy and for government" – but should ultimately seek compromise and push forward together.<sup>169</sup> As put to us by David Laws, the former minister and close ally of the deputy prime minister: "The challenge is to make sure that the differences don't lead to paralysis. That the differences lead to ... in some ways to a competition over policy directions, which ends up moving the Coalition and the country forward."<sup>170</sup>

Conservatives close to the Coalition with whom we spoke were generally relaxed about the more assertive approach adopted by the Liberal Democrats. One Conservative figure acknowledged that "the junior partner needs to differentiate more regularly. The senior partner has a louder voice, and indeed speaks with more voices – literally."<sup>171</sup> A Conservative MP close to the leadership said that in any case, the wider public barely noticed tactical positioning of this sort.<sup>172</sup> And another MP argued that the Conservatives would claim part of the credit for Liberal Democrat policies they were happy with – like the rise in personal tax allowances – while allowing the junior partner to differentiate on unpopular policies like Lords Reform.<sup>173</sup>

One specific event that had caused disquiet, on the other hand, was the failure of Sarah Teather, a junior Liberal Democrat minister, to turn out to vote down amendments made to the Welfare Reform Bill by the House of Lords. Our interviewee, a well connected backbencher, suggested that this apparent breach of collective responsibility would, if repeated, stir discontent not only among backbench colleagues but also among Conservative ministers who have been forced to vote for policies they disliked.<sup>174</sup> Parliamentary voting data confirms the existence of a disgruntled core of Conservative backbenchers, with rebellions by Tory MPs on 28% of all whipped divisions (for the Liberal Democrats, the figure is nearly as high at 24%).<sup>175</sup> A different small irritation was admitted by another Conservative, who complained that the leaking surrounding the 2012 Budget had left the Chancellor with no big good news story to announce on Budget day itself.<sup>176</sup>

Within the wider party, what is clearly generating resentment is less the assertiveness of the Liberal Democrats and more the perceived unwillingness of the Conservative leadership to stand up to the smaller party. This view is reflected in the Conservative Home website's campaign for an alternative Queen's Speech, filled with right-leaning policies that would please the Conservative grassroots and alienate the Liberal Democrats. In February 2012, Liam Fox, the former Cabinet minister and standard bearer for the Tory Right, also went on the record calling on the prime minister to "take on" the Liberal Democrats and push through free-market policies in the contested area of labour market regulation.<sup>177</sup> And following the party's poor performance in the May 2012 local elections, a chorus of Tory MPs could be heard arguing that the Coalition should "be more conservative and be less liberal wishy-washy",<sup>178</sup> drop "pretty ridiculous fringe policies" like Lords reform and gay marriage,<sup>179</sup> and "remember that the Liberal Democrats make up one sixth of the Coalition, not one half of the Coalition".<sup>180</sup>

Overall, the attempts by the leadership of the two parties to create space between them have sent out the signal that disagreeing with the coalition partner is now within the rules of the game, but at the same time they have not gone far enough to satisfy the coalition sceptics on either side. The next period of the Coalition is likely to see growing pressure put on the leaders to take a more confrontational stance towards the other side, and to push for the adoption of core party policies such as Lords reform and replacement of the Human Rights Act even if (or perhaps because) the other side may veto the policy and generate deadlock.

## Civil service perspectives

In Whitehall, perspectives vary on the impact of the differentiation strategy, but the balance of opinion is that the change of approach has not so far had a significant detrimental effect on government and the policy-making process.

Differentiation is partly about tone and symbolism, and partly about the substance of policy. Some interviewees did express surprise at the leaking and public negotiation that surrounded the 2012 Budget process – one official describing it as a “slightly odd”<sup>181</sup> phenomenon without believing that the ultimate policy decisions taken were undermined as a result. Another interviewee, who generally felt “impressed by how much collective responsibility has held up”, admitted some unease at the more open airing of policy disputes seen over the past year or so.<sup>182</sup> We also heard that there were more “crotchety attitudes” between the parties over communications issues such as whether one party or the other would have a free run on particular days in terms of their policy announcements being pushed as a lead story.<sup>183</sup>

In terms of how the policy-making process itself has operated, the supposed shift in strategy has been barely perceptible in some departments, according to our interviewees. An official in one Conservative-led department told us that differentiation “doesn’t come up overtly” within the department, with tensions more often occurring between departments and within parties (particularly on the Conservative side), just as in a single-party government.<sup>184</sup> Many interviewees stressed that divisions within the previous Labour government were often at least as severe, and for reasons noted above, such divisions could in fact be easier to reconcile in an explicit Coalition context.

Other interviewees, typically from departments with more substantial policy differences between the parties, recognised that the tone of political debate had changed over the past year though without necessarily having a negative impact on the ability of government to develop coherent policy. One senior official argued that “the airing of differences is a sign of greater confidence”<sup>185</sup>, another that the Civil Service were used to dealing with disagreement and could “absorb” the impact of greater differentiation,<sup>186</sup> and a third that “you can’t worry too much about that; that’s democracy at work”.<sup>187</sup> More than one expressed surprise at the ongoing cohesiveness of the Coalition, which had surpassed expectations.

In some areas of policy, it has been necessary to deal with the political demand for differentiation by ensuring that progress is made simultaneously on policies that are clearly identifiable as deriving from either party. The combination of the alternative vote referendum and the parliamentary boundary changes in a single bill is the most transparent example so far of linking together a Liberal Democrat and a Conservative objective in a single policy instrument. But the budget-setting process also increasingly reflects the logic of this approach, with the Liberal Democrat-inspired increase in the personal tax allowance bundled together in the 2012 Budget with the Tory-led cut in the top rate of income tax.

Elsewhere, at the Department for Education the central free schools policy is a clearly Conservative-led agenda, while the “pupil premium”, which will rise to £2.5bn per year by 2014-15, is treated almost as a separate Liberal Democrat funding stream, with Nick Clegg

playing an important role in making decisions over its allocation.<sup>188</sup> The Ministry of Justice's combination of legal aid reform and sentencing changes in a single bill also had the effect of ticking both a conservative cost-cutting box and a liberal criminal justice reform box, although this may have been an incidental benefit, since the department reportedly was forced to combine these elements due to the pressures of legislative time-tabling.<sup>189</sup>

This type of strategy can be successful only to the extent that each party can tolerate the policy of the other side, either because they have no fundamental objection to it, or because the policy they have secured in exchange is seen as worth the trade-off. This is not always the case. Some interviewees felt that there were significant underlying differences of values, or "rifts" between the two parties, which made compromise difficult.

Examples given to us of areas where the two parties' positions were almost diametrically opposed included EU policy, counter-terrorism and human rights, aspects of the equalities agenda (relating to business regulation), and the role of government in providing support for married couples.<sup>190</sup> Instead of finding a coherent compromise position in the last of these areas, it was suggested to us, the Government had instead included both parties' positions in a somewhat inconsistent "both-and statement".<sup>191</sup>

The existence of philosophical differences of view are a fact of life in a coalition – if they were absent, there would be no need for the two separate parties to exist. And recognising the continued importance of those different values is vital for reasons of internal party management and the electoral appeal of the two parties. But the downside risk of a more assertive differentiation strategy is of a growing unwillingness to find shared ground, with policy deadlock or incoherence the result.

Overall, we should emphasise, the Coalition's handling of the "unity-distinctiveness dilemma" has not yet led to such problems striking at the core of its agenda. Consensus has been reached and largely adhered to in central policy areas such as deficit reduction, welfare reform and structural changes to major public services such as schools, policing and healthcare. But as argued in chapter 3, as the Coalition moves further away from the initial coalition agreement, the two parties feel less bound to a common line. Attempts to agree a position in areas such as adult social care, higher education marketisation, party funding reform and media regulation are all likely to prove difficult in a context where the parties emphasise difference over compromise.

But the major area to watch must be around economic strategy. There has been much talk of the Government needing to develop a comprehensive growth agenda, and all departments have been asked by the Centre to come up with ideas for how to boost growth. However, the difficulty is that many of the key policy levers – including banking reform, business regulation, industrial strategy, taxation, and aspects of immigration and energy policy – bestride some fairly significant ideological faultlines between free-market Conservatives and the more social democratic side of the Liberal Democrats, as illustrated by business secretary, Vince Cable's calls for a new industrial policy<sup>192</sup> and his outspoken criticism of Tory demands for labour market liberalisation following the Beecroft review.<sup>193</sup>

Maintaining effective government in a period of political differentiation is no easy task, but to achieve this balance, the Coalition will need to preserve enough space for each party to emphasise its own values and to make progress with its own policy priorities, but in a way that does not undermine the core economic, fiscal and public service reform objectives that bind the Coalition together.

## International lessons

The question of how to differentiate without undermining government effectiveness – the unity-distinctiveness dilemma – is at the heart of coalition government. Interviewees from all the other political systems that we looked at recognised the contours of this challenge. Inevitably, there are exceptions, but the common pattern appears to be that “the costs of Coalition are unevenly shared, with major parties generally incurring low costs and small parties high costs”.<sup>194</sup> As a result, differentiation is principally, though not exclusively, seen as an issue for the junior partner. Experience from countries with more experience of coalitions, as well as experience in the UK since 2010, points to the following general lessons.

### 1. *Size matters*

Smaller parties find it difficult to make their mark in part simply due to their size. One former senior civil servant from Dublin notes that “politics is quite a bloodsport” and that the smaller party can simply get outmanoeuvred in government.<sup>195</sup>

But even with goodwill on the part of the senior partner, the smaller party can struggle to maintain a presence across the full “waterfront” of government activity, since they typically have fewer ministers, advisers and party resources to draw upon. The Irish Green Party, for instance, with only two senior ministers out of a total of fifteen, found it difficult to influence key decisions during the financial crisis, such as over the Banking Guarantee Scheme that was rushed through Cabinet in a conference phone call in the early hours of the morning.<sup>196</sup>

To avoid being sidelined, smaller parties must be sufficiently resourced, as the UK Coalition has gradually realised (see chapter 2). One model adopted in previous coalitions in Ireland was the creation of a separate Office of the Tanaiste (deputy prime minister). In the Netherlands, the outgoing Coalition includes an even 50-50 split of ministerial posts, even though the liberal VVD party has some 50% more seats in parliament than its Christian Democrat allies (31 compared with 21). Here there has been a genuine sense of a partnership of equals, we were told, with economic pressures combined with the Government’s minority status helping to build a sense of unity in the face of adversity.<sup>197</sup>

An alternative is to grant smaller parties far more autonomy to disagree with government policy – for instance through “confidence and supply agreements” binding the parties to the government line only in specified areas. This approach was developed in New Zealand after the smaller party in two successive coalitions fell apart, and all governments since this model emerged have lasted the full term.<sup>198</sup> It is an approach that has particular relevance when one party is very small indeed, meaning that there may be an effective threshold beneath which size a party at Westminster could not function effectively within a full coalition.

## **2. The premier bonus**

However, size is only part of the picture. Another key advantage for the largest party derives from the fact that their leader will almost always take the position of prime minister. This guarantees the party a high profile and the aura of being in control, no matter how collegiate the actual functioning of cabinet may be.

In Germany, the Grand Coalition of Christian Democrats (CDU-CSU) and Social Democrats (SPD) brought together two parties of very similar size in 2005. But as an SPD official told us, the far greater prominence of Merkel as head of government made it difficult for the SPD to “sharpen its profile”, contributing to its heavy defeat four years later.<sup>199</sup> The premier bonus can be particularly significant at times of crisis, as Merkel’s dominant personal role during the current European financial crisis demonstrates. In Sweden, the prominence and popularity of prime minister Fredrik Reinfeldt has similarly enabled his Moderate Party to grow in popularity while in office, while its smaller coalition partners have all lost support.

To a lesser extent, holding the post of finance minister also gives the party in question an advantage, although in this case the bonus is more in terms of power within the executive than public profile, since finance ministers in present economic circumstances are often seen as bearers of bad news. Other than in coalitions of quite equal partners (the Netherlands at present, the German Grand Coalition), it is usually the larger party that holds this portfolio.

## **3. Deputy dilemmas**

For junior partners, a crucial question is what role their leader should play. Almost always, they will be made deputy prime minister, but this position typically varies more than that of prime minister in terms of stature and influence, even in Ireland where the Tanaiste has a constitutionally defined function. Individual deputy prime ministers can therefore shape their role to a significant extent.

One big decision taken by Nick Clegg was not to take a major departmental portfolio along with the deputy prime minister position, on the basis that to be influential across the whole of government, he needed to be situated at the centre of power.

This puts him in an unusual position. His counterparts in Germany, Sweden and the Netherlands, for instance, currently hold the economics and technology, education and economic affairs, agriculture and innovation portfolios respectively. And as deputy first minister of Scotland, Lord (Jim) Wallace was minister for justice and then for economic development.

Our international interlocutors were generally surprised at Clegg’s decision. A German observer of UK politics suggested that Clegg was able to say “‘I was always present and I was involved’, but that’s all. There’s nothing that bears his signature; there’s nothing where he can say ‘This is my baby, I did this’ against the opposition of Cameron”.<sup>200</sup> A Dutch official similarly felt that Clegg had made a mistake and would struggle to drive his policy priorities through the government machine from his post in the Cabinet Office.<sup>201</sup>



But the experience of recent German Vice-Chancellors shows that a high-profile portfolio is no silver bullet – the past two FDP leaders (Westerwelle and Rösler) have both struggled from their respective posts of foreign minister and economics and technology minister – and have been overshadowed by Merkel.

Interviews in Whitehall suggest that Nick Clegg is able to play an important coalition-proofing role and to engage in policy debates across a wide range of areas (as well as leading on political and constitutional reform). The long list of subjects addressed in recent speeches by the deputy prime minister confirm his wide policy interests. But by focusing on breadth over depth, it may be that the deputy prime minister is spread too thin to make a tangible impact on the issues of most importance to the voters.<sup>202</sup>

What is clear is that any successful differentiation strategy for the junior party must start with the leader. His or her ability to demonstrate competence and influence over areas of concern to potential supporters is the single most important factor in defining the profile of the smaller party.

#### **4. Portfolio allocation**

Also important is the wider allocation of ministerial portfolios between the coalition parties. Here again, international observers expressed surprise at the Liberal Democrats holding none of the major spending departments such as health, education, justice, work and pensions, and Home Office. One interviewee pointed out that voters assess an incumbent government not just in terms of specific policies introduced, but also in terms of competence in managing the public services that voters rely on.<sup>203</sup>

In Sweden, a senior official explained, the three junior parties in the Coalition were all given responsibility for their “profile issue”, giving them the chance to demonstrate impact through successful departmental management. This meant the agriculture department going to the largely rural Centre Party, education to the Liberals, and social care/healthcare to the Christian Democrats.<sup>204</sup> Similarly, for the Irish Green Party, securing the portfolios of energy and natural resources, and environment and local government was seen as crucial.

For the Liberal Democrats, getting control of political and constitutional reform, and climate policy were seen as key victories though divisions with the Conservatives in both these areas have frustrated progress. With Chris Huhne as secretary of state, the department of Energy and Climate Change was perceived as identifiably Liberal Democrat in character,<sup>205</sup> the closest example in the UK to the minor-party-owned departments common in Germany and Sweden. In some ways, however, the most important portfolio gained by the party was that of chief secretary to the treasury. This protects Liberal Democrat influence at the heart of the budgetary process, and enables the party to secure important policy wins such as over personal tax allowances, yet it also symbolises the extent to which the party is bound to a common fiscal framework with the Conservatives.

To avoid what Irish Green Party leader Eamon Ryan has described as the “terribly difficult narrative” of the “lost moral compass” of the smaller party, the Liberal Democrats need to use their ministerial posts to emphasise how they are translating their party’s values into policy.<sup>206</sup>

## ***5. The large party quandary***

Larger parties in coalitions are generally judged far more on the overall performance of the government than on the implementation of policies that can be seen as distinctively their own. Consequently, former Fianna Fail minister Noel Dempsey agrees, differentiation is “not really as important to the larger party”. In Sweden, where the four-party Alliance fought the last two elections on a common platform, the smaller parties each also had their own manifesto, while the larger Moderate Party was happy to fuse their own platform with the common coalition programme.

The possible downside for the larger party is that it becomes harder for them to distance themselves from any aspect of government policy. Smaller parties can more credibly argue at the next election that a particular policy was not their initiative. A German official cautions the Conservatives that voters may respond badly to the suggestion that if only they’d had a clear majority they could have done things differently, as this would be akin to blaming the voters for their choice.<sup>207</sup> Lord McConnell, former Scottish First Minister, expressed frustration at being bound in to the Coalition, particularly in the pre-election period: “The opportunity to articulate what you wanted to do next as a single party leader, as opposed to leader of the Coalition, was quite a challenge.”<sup>208</sup>

## ***6. Helping hand or coup de grace?***

The larger party in a coalition may have to make a tactical decision over the extent to which they should help out a smaller struggling partner. It is generally not in the interests of the government as a whole for any constituent party to be in crisis, but a key calculation that the larger party may make is whether another coalition deal with the same party is likely after the next election.

The relationship between the German coalition partners is instructive: as the liberal FDP fell in the polls following the 2009 coalition formation, Angela Merkel was perceived to have deliberately snubbed the smaller party in making several policy reversals against their wishes. The decision to phase out nuclear power in particular was interpreted as a strategic move to strengthen links with the Greens, a possible alternative future partner.<sup>209</sup>

For the Conservatives, the decision of whether to help out the Liberal Democrats (for instance by making important symbolic concessions) or to press home their advantage will come down to a calculation of how likely an overall Conservative majority win is at the next election. Should this feel within grasp, then the temptation will be to go in for the kill, for instance by blocking the most important Liberal Democrat priorities such as Lords Reform and party funding reform.

The larger party should bear in mind, however, that the smaller party generally has the more credible withdrawal threat, as demonstrated by the Irish Labour Party in 1987, the Irish Greens in 2011 (both of which walked out amid budget disagreements), and the Dutch Labour Party in 2009 (which pulled out of government over Dutch involvement in Afghanistan).

## **7. Picking your battles**

It is crucial for each party to secure a few important policy wins. But lessons from elsewhere show that focusing excessively on policies viewed as esoteric by many voters may not pay off. The German FDP's prioritisation of a VAT cut for hoteliers (a core target voter group) was seen by our German interviewees as a major error at a time of fiscal consolidation. Similarly, interviewees suggested that the Irish Greens' focus on a ban on stag hunting and the Swedish Christian Democrats' emphasis on family values may play well with the grassroots, but are peripheral interests for most voters. More than one interviewee drew the comparison with the Liberal Democrats' prioritisation of House of Lords reform.

It is important, therefore, for each party to identify distinctive policies that will please its own grassroots while also making a positive impact on a wider slice of the electorate. The Liberal Democrat success at abolishing upfront tuition fees in Scotland is a good example of this. Finding good news stories of this kind can be difficult for the smaller party however, since there is nothing stopping the larger party from claiming credit for a policy it knows was popular, even if it originally opposed it. Examples include Labour claiming credit for the free care for the elderly policy in Scotland, and for the 2011 devolution referendum in Wales, which had originally been the policies of the Liberal Democrats and Plaid Cymru respectively. Similarly, David Cameron has embraced the Liberal Democrat flagship policy of raising the personal allowance threshold, telling the House that, "it's a good idea to lift people out of tax. It particularly helps low-paid people and it particularly helps low-paid women".<sup>210</sup>

## **8. The tail wagging the dog narrative**

To counteract the danger of their influence going unnoticed, smaller parties generally seek to be more vocal during policy negotiations, emphasising their impact and revealing tensions and disputes in public. Swedish and Irish officials both confirmed this pattern, also visible in the UK Budget negotiations in 2012.

But the spectacle of the smaller coalition party trumpeting its policy successes can trigger a backlash from members of the larger party, who may perceive that the junior partner is exercising disproportionate influence. In Wales, we were told, there was a group of Labour backbenchers who were "never reconciled" to coalition, and regularly complained about the smaller party (Liberal Democrats and Plaid Cymru in different periods) getting exposure and taking credit.<sup>211</sup> There was a similar dissatisfaction among Fianna Fail members, we heard, about the influence of the free market Progressive Democrats in the 1997 to 2007 Coalitions.<sup>212</sup> Like the UK Conservatives, Welsh Labour and Fianna Fail had limited previous experience of coalition, considering themselves the natural party of government.

In truth, there are times when smaller parties can punch above their weight, either because the larger party is displaying "enlightened self-interest", helping their partner in order to shore up the government, or because the smaller partner holds the powerful card of a credible withdrawal threat. But often, the idea of the tail wagging the dog is overstated. The perception that this is the case often relates to the more public demonstrations of

influence sought by the junior party, as well as the fact that large party policy priorities are at the very heart of the coalition agenda and so are not generally noticed as victories for one party.

Nonetheless, as Noel Dempsey of Fianna Fail noted, it can be necessary to respond to the perception that they are being outmanoeuvred by the smaller partner, for instance by making a point of emphasising which policies are their own party's successes.

### **9. How far can differentiation go?**

Generally speaking, both sides in well functioning coalitions recognise the importance of differentiation and of allowing each side the space to emphasise their distinctive identity. But there are limits: open warfare between parties is rarely seen as a sign of a well functioning government.

Governments must therefore agree upon rules for managing their differences. One model, noted above in the NZ case, is to adopt a more flexible attitude to collective responsibility, for instance by writing in an 'agree to disagree' clause into coalition agreements, or even appointing junior party ministers bound by the government line only in specific areas.

Most coalitions, however, retain the convention of strict unity over the government's policy programme. Instead, space is sought for ministers to take different positions in public debate, before ultimately a single government line is developed. To prevent this from spiralling into open dispute, ministers must develop mature relationships with one another, being open about when they will need to take a different line in public. In Wales we were told, the parties set out "an agreed space to articulate differences almost in a contrived way".<sup>213</sup> Managing the differentiation process therefore requires quite nuanced and sophisticated leadership from ministers.

This involves ministers finding time to speak with a party hat on and to engage in wider party policy debates. Once in government, we heard from several interviewees, ministers get sucked in to their role as part of the executive, with relationships with the wider party suffering as a result. One UK official referred to Vince Cable's publication of a think-tank pamphlet on industrial policy as a good example of a minister avoiding this trap, showing how "it is possible – in a non-disruptive way – to push your own policy differences".<sup>214</sup> However, this policy official argued, this only works when both parties remain fully committed to the central coalition agenda of deficit reduction.

Limiting the extent of differentiation is therefore necessary for the functioning of government. But there can be political reasons not to go too far as well. Differentiation is generally a strategy for keeping grassroots members and natural supporters content. But it can at the same time draw a party away from the centre ground between them and their coalition partners. Parties may feel that coalition erodes their identity, but association with another party also offers the opportunity to gain from the partner's strengths.

Notably, small parties can enhance their reputation for competence and responsibility by association with a more experienced party of government. Conversely, large parties can gain from particular values associated with their smaller partner – such as environmentalism in the Irish and German coalitions involving Green parties. Likewise, the Conservative ‘detoxification’ strategy may be assisted by association with the perceived greater social conscience of the Liberal Democrats.

### **10. Differentiation outside government**

Finally, parties can also find ways to differentiate through figures outside of the executive.

In several coalitions, parties have made use of senior figures with a non-government role to fly the flag for party values. For instance, the Progressive Democrats and Greens both kept their party president outside government during their time in coalition, with these high-profile figures playing a role in media debate and in keeping party members on side. Tim Farron, President of the Liberal Democrats, plays a similar role, maintaining loyalty to the party leadership while taking a more partisan line in public debate than ministers are able to. To some extent, Conservative Party co-chairman Baroness Warsi does this too, although as a member of Cabinet she is bound to the collective government line.

In non-Westminster systems, like Germany and the Netherlands, the separation of powers also means that parliamentary party leaders are themselves outside the Government and able to speak with a more authentic party voice. This role does not exist at Westminster, but the chairs of the parties’ new backbench policy committees to some extent play this role, on the Liberal Democrat side at least. Tom Brake, for instance, is often quoted in the media as “Liberal Democrat home affairs spokesman”, compensating for the fact that the party has no minister with a brief covering core Home Office territory such as crime and immigration.

Backbench members are often a source of differentiation though in a more unstructured and unpredictable fashion from a leadership perspective. It is part of the natural dynamic of coalition parties to have backbench members criticising or questioning the compromises that their party leaders have made with the coalition partner. This can be useful for the leadership, both in reminding the public of the continuing differences between the parties and in strengthening the arm of ministers in negotiations with the other side.

Left unchecked, however, backbench dissent can threaten government stability and undermine the authority of the leadership. Sam Ghibaldan, former special adviser to the Scottish Deputy First Minister, argues for increasing the capacity for backbenchers to influence policy-making. In Scotland after 2003, there was a conscious decision to make “backbench liaison” more a part of the process. Ghibaldan notes: “It did make life harder... [but] if you want to continue to maintain support from the backbench groups you probably need to do that.”<sup>215</sup> The new backbench policy committees at Westminster have increased the channels for backbench influence, though without dissuading MPs from rebelling at record rates.

Finally, there can be opportunities for differentiation via multi-level politics. In Germany, a party may well be in coalition with various parties in different Länder (regions) across the country, which enables it to highlight its differences with the national coalition partner: Christian Democrat participation in grand coalitions with the Social Democrats in several states, for instance, allow the party to put more distance between it and its struggling liberal partners. At the UK devolved level, parties have emphasised difference with one another via activity at the Westminster level. The Scottish Liberal Democrats stuck closely to collective responsibility with Labour in Holyrood, but profited from their ability to oppose the UK Labour government on issues like Iraq. The UK coalition parties can similarly maintain a separate appeal through their record in local government across the country, in Scotland and Wales, and (for the Conservatives), in the office of the Mayor of London.

## 6. The final straight: governing up till the next election

*“There needs to be some fairly high-level discussions of how that last year is going to work in a way in which you can still operate as a single government without the election having an overbearing impact on the smooth delivery of government business.”<sup>216</sup>*

Above we have made the case for the Coalition to start a mid-term policy renewal process in order to reaffirm the government’s course and reduce the risk of it drifting through the second half of the parliament. Yet, as we also noted, while keeping its eyes on the horizon, the leadership must keep at least one ear tuned to the mutinous whispers increasingly heard among the crew. Discontent within both parties reduces the Coalition’s room for manoeuvre and requires that the parties’ separate blue and orange flags are flown as prominently as coalition green. The final destination is the election of 2015 – assuming the Coalition avoids the rocks before then. This chapter assesses the issues likely to arise for the Coalition in the last leg of its voyage.

### A loss of momentum

Many of our interviewees predicted that in its final period the UK Coalition will lose all its forward policy momentum. International interviewees confirm that this is a common fate of coalitions – especially those that are not planning to fight the election on a joint platform.

One German official describes the final year of Germany’s Grand Coalition (2005-09) in these terms: “It was pretty clear that the last year of that coalition was a lame duck year. You wouldn’t be able to push any government project or any legislative project through parliament anymore.”<sup>217</sup> Mark Drakeford, who was an adviser to the first minister of Wales, gave the Coalition a slightly longer productive period. In the Welsh coalitions, he told us, any serious new initiative had to be complete by Christmas (prior to a May election), and in the final three months almost nothing happened, with ministers reduced to “turning the handle of routine administration”.<sup>218</sup>

Martijn van der Steen, from the Netherlands School of Government, depicts a standard four-year cyclical pattern followed by Dutch governments. Coalitions there typically spend a few months negotiating their policy programme and fiscal plans, with the central question in recent years being about how to “share the pain” of austerity measures. Once formed, the coalition will usually press ahead with most of its major reforms at once, spending the first year preparing, the second year passing, and the third year implementing the reform programme. The government in its latter stages will emphasise its record of achievement without developing any new initiatives. And by the final year, the parties will

start to “let go of each other” as they switch into electoral mode, often seeking “a strategic moment to break with the Coalition”.<sup>219</sup>

In Ireland too, coalition parties who do not expect to continue their partnership begin to “spin off” in the last year, with the parties’ narrative becoming about how they can’t work with “these lot” any more. And when the smaller partner expects to go back into opposition, as was the case with the Irish Greens, government can get particularly difficult, with the party losing interest in the business of government and focusing instead on damage limitation.<sup>220</sup>

UK officials recognised that few new initiatives would be developed during the last months, with one senior civil servant pointing out that all governments “get a bit paralysed” towards the end. It was suggested that the atmosphere might feel similar to the 2009-10 period, when most people expected a change of government, rather than a “normal” first term government that was planning for its second term.<sup>221</sup> Others felt that the difference would be that the switch to election mode might just come sooner than in past governments.

**For the Coalition, the central task will therefore be to ensure that any significant initiatives are completed well in advance of the election.** During the last legislative session (2014-15), the Government is likely to become particularly unproductive in policy terms, though as argued above, a determined attempt to renew the Coalition’s policy agenda should help to delay the moment at which forward momentum ceases.

### One record, two parties, three positions?

There was some speculation early in the Coalition that a formal electoral pact might be agreed prior to the next election: the new Conservative MP Nick Boles openly advocated this strategy in a 2010 book.<sup>222</sup> His vision was for the two coalition parties to carve up the seats between them, with candidates effectively standing on a coalition ticket in a 1919-style ‘voucher’ election. However, a grand pact has more or less been ruled out by both party leaders, and even localised co-operation as in the postwar ‘textile town pacts’ in Bolton and Huddersfield,<sup>223</sup> would encounter opposition from party members, especially on the Tory side.<sup>224</sup>

The first past the post system in fact makes it difficult for parties to co-operate, other than through the inexact science of tactical voting, as between Labour and the Liberal Democrats in 1997. By contrast, had the Alternative Vote referendum passed, pro-Coalition voters could straightforwardly have transferred their vote between Conservative and Liberal Democrat candidates without either party having to stand aside. In proportional systems, where coalitions are expected, pacts of various kinds can be found. In Germany, parties often indicate their preferred coalition partner before the election, and can then campaign to win the ‘second vote’ of supporters of their ally. And the last election in Sweden was contested between two broad alliances of parties competing on pre-negotiated coalition programmes.



In the UK in 2015, the Liberal Democrats will need to fight for every seat they currently hold, the majority of which (39 out of 57 on the 2010 boundaries) have the Conservatives in second place. And the Conservatives will be openly campaigning for a majority, which will require them to go hunting for Liberal Democrat scalps. Perhaps, we might not see David Cameron personally campaigning in Sheffield Hallam or Kingston and Surbiton, but on the whole there will be genuine competition between the parties.

Yet at the same time, the two Coalition partners will be defending a shared record. And since incumbent governments win or lose elections in large part on the basis of their achievements rather than their future plans, this will limit the two parties' ability to stand on distinct platforms.

To some extent, the election period will simply amplify the difficult trade-offs discussed in the previous chapter. What will be different in the final year is that the parties will also be competing over their future plans for the country. However, even here the parties may to some extent have bound themselves to a common policy stretching beyond 2015. Most notably, this could be the case in terms of fiscal plans outlined in the expected pre-election spending review, but there are also likely to be joint commitments in other areas that work to a long timescale, such as pensions, energy, infrastructure investment and social mobility policy.

The overall tone of the campaign is therefore likely to feel rather different, with the two coalition parties and their leaders having to work hard to emphasise their different agendas. One interesting possibility, suggested to us by a Conservative MP, is that at the election there might be three different policy positions emanating from the government side: a coalition position representing agreed government policy, and the two parties' own policies steering either side of that compromise.<sup>225</sup> In April 2012 it was reported that the Liberal Democrat leadership were planning to approach the next spending review in line with this approach, so as to avoid being fully bound to a common position in 2015. An unnamed adviser was quoted suggesting: "We could agree on 80% of the deficit reduction, but on the remaining 20% we could agree to differ. We would then each set out our different priorities in our manifestos."<sup>226</sup>

In the experience of former Scottish first minister, Lord McConnell the big problem for party leaders in the last months of a coalition is "how do they retain the confidence of the parties, and how do they build up the momentum that is required to have a proper parliamentary general election". He found that it was "difficult for the distinct party identity to make its mark", for instance in televised debates and speeches.<sup>227</sup> Former Scottish Liberal Democrat minister Ross Finnie recognises this sense of frustration, saying: "You couldn't wait until parliament was dissolved so you could start making more political speeches".<sup>228</sup>

At the end of the increasingly factionalised second Labour term in 2005, Blair and Brown temporarily suspended their feuding in recognition of mutual shared interest, famously posing for an ice cream together during the campaign, before ending the truce when the polls closed.<sup>229</sup> One would not expect such shows of unity between Cameron and Clegg in 2015, as both try to switch decisively to election mode.

However, the trap would be to over-compensate by trying to disown elements of the Coalition's record. The party leaders and other senior figures can already be heard pointing out that had they been in power alone, government policy would have been different in various areas (e.g. tuition fees for the Liberal Democrats, human rights reform for the Conservatives). This narrative is likely to become more prominent during the election campaign, as the Conservatives make the case for a majority government and the Liberal Democrats seek to undo some of the damage suffered from association with Conservative-inspired NHS, welfare reform and fiscal policy.

Observers from elsewhere express scepticism about the degree to which this message will bring electoral rewards. An official from the German chancellor's department told us that in Germany, the message that: "If you would have voted [for] us, we would have done better" would not go down well with voters who would perceive it as politicians putting the blame on them for their voting choice.<sup>230</sup> The former head of the Scottish Civil Service similarly cautions that for the parties continuously to emphasise the elements of the Coalition's programme that they did not agree with would be "an electoral misjudgement", reflecting a focus on activists not voters, who prefer evidence of genuine bipartisanship.<sup>231</sup> David Laws MP makes a similar point, arguing that the public will "expect both coalition partners largely to own the Coalition that they've been members of and not to make excuses".<sup>232</sup>

The lesson remains the same as that set out in the previous chapter: **the coalition parties will stand and fall together on the Government's achievements in the core spheres of management of the public finances, the economy and key public services.** At the same time, however, each party will wish to emphasise the achievements that their presence in government ensured. In some cases, such as the increase in the personal allowance and state pension, there may be competition over who should take credit. In others – the immigration cap, the increase in windfarms – one party might well be content to disassociate themselves from the policy. To a limited extent, the parties might seek to differentiate by reference to policies they prevented from happening, though this narrative does not seem the most likely to bear fruit.

## The election campaign

In terms of electoral strategy, the coalition parties' overall narratives are likely to be presented somewhat differently in different battlegrounds across the country.

- In Conservative-versus-Labour seats, Tory candidates will be under less pressure to differentiate and a few might stand implicitly as 'the coalition candidate' to pick up Liberal Democrat votes, although strong UKIP polling would give pause for thought.
- Where the principal contenders are the Liberal Democrats and Labour (or the Liberal Democrats and SNP/Plaid Cymru), on the other hand, the Liberal Democrats are likely to feel more confident of picking up Conservative tactical voters in any case, and will be more concerned about losing votes to their left. Heavy differentiation will therefore be the order of the day.

- In Conservative-Liberal Democrat seats and the occasional three-way marginal, there will be competing incentives that will need careful calibration based on the strengths of UKIP, Labour and smaller parties like the Greens. One might expect to see a more nuanced message, with competition to take credit for perceived coalition successes spiced up with a few partisan messages (e.g. on immigration and Europe for the Tories; and on the environment and political reform for the Liberal Democrats) to shore up their base and hold off the candidates further to the right and left.

To avoid incoherence, the party leadership may need to keep a careful eye on statements and publications being emitted by their candidates and may need to send out a clear message to their parties on the extent to which the coalition partners are fair game. The objective should be to prevent relationships between the parties from deteriorating too much, since ministers from the two sides will have to continue to work together right up until the end of the government. In addition, the parties may be seeking to keep open the option of a second coalition agreement after the election.

In Scotland and Wales, named ministers or advisers close to the leaders were tasked with keeping a watch on statements made by parliamentary candidates and other party figures during the campaign and preventing attacks on the coalition partner from getting out of hand. Ross Finnie played this role for the Liberal Democrats in Scotland. He recalled that a few backbenchers interpreted the start of the campaign as meaning that they were now “unmuzzled” from a coalition point of view. They were prone to launching “excoriating” attacks on Labour, which was particularly embarrassing when they attacked Labour for a policy that Liberal Democrat ministers had publicly agreed with.<sup>233</sup>

In Wales, a similar role was played by special advisers. Paul Griffiths, the Labour figure tasked with this job during the coalition with the Liberal Democrats, recalls a carefully “managed detachment” between the parties in the final few months of the term, in which there was “space for the parties to set out their stall”, but an expectation that neither party would attack each other too directly or personally. The threat of “tit for tat” usually sufficed to regulate conduct at the ministerial level, though party HQ occasionally had to intervene to moderate the line taken by backbenchers.<sup>234</sup>

## Disentangling government and party

The Civil Service always has to monitor the line between government business and party business, and assists ministers only in the former. Civil servants therefore do not help to write speeches for party events, prepare party policy papers, or brief journalists on party political messages. Officials emphasised that this “clear separation” was maintained at all times, and that existing principles would enable the Civil Service to deal with the pre-election challenges.<sup>235</sup>

In practice, however, the line can become blurred, especially during the pre-election period. Former Labour adviser Patrick Diamond told us that “the Civil Service role in manifesto policy development is very diffuse and informal ... in practice civil servants do engage in policy development which is related to the manifesto”.<sup>236</sup>

A senior Whitehall figure recognised this description, noting that “it’s an accepted convention that civil servants can be asked to check facts and do stuff” that feeds into manifesto development, which gives the Civil Service a useful steer as to what is likely to appear in the manifesto of the incumbent government.<sup>237</sup>

However, the question that stumped many of our interviewees is how this will play out in the context of coalition government, since ministers from the two parties might be asking the same officials for advice in developing conflicting policies for their respective manifestos. How would the Civil Service respond in this context? “I don’t have a good answer to that”, one policy official conceded.<sup>238</sup> Another recognised that “we should probably think about how we’re going to do it, how we’re going to handle the conflicting drivers in the government as we get towards that position”.<sup>239</sup> **Between now and 2014, the UK Civil Service must clarify the procedures it will follow if asked for policy advice or information that will be used to feed into the manifestos of either coalition party.**

International experience is instructive. In Scotland, the approach adopted in six months before the 2003 and 2007 elections was to permit either coalition party to request confidential advice from the Civil Service to assist in their preparation of policy plans for the post-election period. Former permanent secretary Sir John Elvidge explains that since “the parties involved in the coalition are not likely to wish to give each other insights into their thinking about possible manifesto contents” it was necessary to create “some special process to allow ministers to commission advice which is not to be visible” to ministers from the other party.<sup>240</sup> Another senior Scottish official tells us that the “fundamental criterion” guiding the development of this system was to ask: “What do we as civil servants offer to parties in single-party governments?” and then to offer the same to both parties in the Coalition.<sup>241</sup>

A senior adviser to the Dutch prime minister described his country’s rather different approach. His advice is that the Civil Service must “avoid getting caught in the wheels between the two parties”.<sup>242</sup> The Dutch government consequently adheres to the convention that all policy advice can be seen by all ministers, rather than creating parallel processes for the two (or more) coalition parties along Scottish lines.

In Whitehall, we were told that the Scottish model has been under consideration at senior levels, but as the Institute’s report on the 2010 Transition concluded, there is some scepticism that it could be replicated precisely at a UK level.<sup>243</sup> One reason for this is apparently a greater sensitivity about getting drawn into politically-contested policy debates. In addition, such a process could only be set up with the approval of both party leaders, and it is possible that the Conservatives would prefer to rely on their party machinery to develop policy, rather than risking leaks. On the other hand, the Liberal Democrats are more likely to seek extensive Civil Service support to make up for their more limited resources (particularly since the withdrawal of Short Money that followed their entrance into government).

The difference in scale also raises questions about how directly the Scottish model could be replicated: in Edinburgh requests for separate information were channelled through a small central team headed by the permanent secretary. In Whitehall, one would presumably need a more devolved approach, with each department having to create mechanisms for responding to separate commissions from the two parties.

Given that civil servants may be indirectly assisting both coalition parties to develop their manifestos, a further question that arises is what forms of pre-election contact should be permitted between the Civil Service and the opposition in the pre-election period. Several interviewees noted this dilemma, which was easily side-stepped during a single-party government by the convention that support for ministers was governmental business, even if advice might end up in a party manifesto. One interviewee recognised that before the next election there would be “quite a tricky issue” of “equity” to resolve in terms of whether it is appropriate to give support to two parties but not the third.<sup>244</sup>

In the Netherlands, an important mechanism for supporting policy development in all parties comes through pre-election budget planning processes. First, in the year before each election, a body called the Budgeting Framework Commission (BFC) sets out advice on the fiscal principles and budgetary targets that the next government should follow, based on economic and fiscal forecasts. The BFC is staffed by senior civil servants, central bank officials and the Bureau for Economic Policy Analysis. Its advice is not binding, but in practice is usually very influential in subsequent coalition negotiations.<sup>245</sup>

Before the 2010 election, the Dutch government also set up taskforces of officials that conducted ‘fundamental expenditure reviews’ of 20 key areas such as housing, higher education, long-term care, international security and so on. In each area, the taskforce was required to identify how budget savings of up to 20% could be delivered. Unlike a UK Spending Review, however, the purpose of the review was not to enable the government of the day to formulate its position. Instead, the reviews in each area were tasked with generating a range of fully costed policy options which all parties could then use to develop their election manifestos.<sup>246</sup> There is no equivalent UK body that could carry out such a task; indeed, the Office for Budget Responsibility (OBR) is statutorily barred from costing alternative policies to those of HM Government, a restriction that OBR Chair Robert Chote has recently suggested should perhaps be eased.<sup>247</sup>

Patrick Diamond suggests that the advent of coalition government might “create a space” to clarify the support that the Civil Service should provide to manifesto development in all parties. He argues that the opportunity could perhaps be taken to put support for manifesto development on a more formal or even statutory footing.<sup>248</sup>

A separate Institute for Government research project into support for opposition parties will explore this issue in more detail. Whatever specific mechanisms are developed, however, the general principle should be to seek a level playing field between government and opposition, with the Civil Service engaging with all parties in a similar way in the pre-election period, listening to and discussing post-election policy plans, and providing factual information, but without offering direct advice as is provided to ministers in their normal government role.

This would at the least require relaxation of the existing rules governing pre-election contact between the Civil Service and opposition spokespersons. Assisting the opposition in its policy development is justified in the interests of evening out the resource imbalance between the parties. It is also in the interests of good government, since in the event of a change of power it is helpful for the incoming government to have a manifesto that has been more rigorously tested for affordability and feasibility.

## Preparing for next time

Between now and the next election **the political parties and the Civil Service will also need to prepare for the implications of various potential electoral outcomes, and in particular for the possibility of another hung parliament.**

In drafting manifestos, the parties might for instance wish to incorporate policies or language that would smooth the way to a post-election agreement with a possible coalition partner. With all three parties having gained experience in 2010 of coalition negotiations, all are likely to think more carefully before the next election about their negotiating priorities, their 'red lines', and possible fall-back options in areas of likely disagreement. Learning from the Liberal Democrats' mistakes over tuition fees policy, there will surely also be greater care taken about making high-profile pledges that might be unsustainable once in power.

Another lesson from 2010 is that the parties should think more carefully in advance not only about policy plans but also about allocation of ministerial portfolios and machinery of government issues (including the size of private offices, number of special advisers, dispute resolution mechanism) that will be needed to make the coalition function. In many other countries these matters would be resolved during the coalition negotiations, and the parties might choose to make this the case in the UK too. A formal mechanism for revising the programme for government may also be needed, as was incorporated into Scotland's 2003 agreement.

Overall, it is quite likely that the next set of coalition negotiations will last longer than in 2010 as the parties seek to clarify more policy detail up front, as well as resolving some of the machinery issues mentioned. The Civil Service will need to prepare for this possibility, which would require them to service a caretaker government for a longer period and to be sure that all are aware of the constraints this imposes on ministers during the interregnum. It is possible that one half of the coalition might be engaged in coalition negotiations with an opposition party, which would be an unusual scenario that officials should prepare for.

And the Civil Service might well be invited to play a greater role in providing advice during the negotiations themselves, given the desire of parties to avoid committing themselves to policies that might later prove not to be implementable (such as the swiftly dropped pledge to reform Air Passenger Duty in 2010, or the incoherent package of policies agreed in the health sphere). Extensive Whitehall involvement is particularly likely in the event that the current coalition parties are seeking to re-form their government, given their greater familiarity with the key figures on the Civil Service side. An attempt might also be made to strike agreement on important elements of the new government's fiscal plans during the initial coalition talks.

The overall lesson from 2010 is to prepare for apparently implausible outcomes. The Civil Service carried out scenario exercises before the election in which they concluded that a Conservative-Liberal Democrat coalition deal could not be struck.<sup>249</sup> The Liberal Democrats themselves expected that the most they could hope for was influence via a confidence and supply agreement.<sup>250</sup> Nor did the Institute for Government predict the eventual outcome.<sup>251</sup>

May 2010 illustrated that when parliamentary arithmetic, political will and personal relationships align, an apparently implausible agreement can swiftly seem like the obvious outcome. Possibilities to think through next time will include coalitions between any of the major parties (yes, even a Conservative-Labour grand coalition), a minority government, confidence and supply arrangements, and 'ministers outside cabinet' on the New Zealand model including perhaps from minor parties or independents.

### Thinking the unthinkable

Finally, most of the discussion above has operated on the assumption that the Coalition will last for the full five-year term specified in the Fixed-Term Parliaments Act. This legislation stripped the prime minister of his right to request an early election, providing the Liberal Democrats with the important reassurance that David Cameron could not simply dissolve the Coalition if and when the polls pointed to a Conservative majority win. For the Civil Service, the greater certainty of the electoral timetable was also seen as a positive development, allowing for more systematic planning of policy implementation and of preparations for a possible transition of power after 2015. One official told us how useful it was to be able to "work back from May 2015".<sup>252</sup>

However, the fixed-term legislation left two routes by which an early election could still be triggered:

1. a two-thirds vote in the House of Commons directly in favour of premature dissolution, and
2. a simple majority vote of no confidence in the government followed by a failure to form a viable new government within 14 days.

Scenario 1, requiring a two-thirds threshold for early dissolution, ensures that the Coalition cannot directly force an early poll. However, with the agreement of Labour, the Government would still be able to hold an early poll. Equally, the Conservatives and Labour could muster the two-thirds super-majority even if the Liberal Democrats opposed dissolution, for instance if the prime minister decided to end the Coalition and Labour seized the offer of an early election.

Scenario 2, on the other hand, could theoretically be triggered by the two coalition parties voting for a no confidence motion in their own government. This seems unlikely, although it is how Gerhard Schroder ended his coalition with the Greens in 2005. A more plausible route by which the Coalition might lose the confidence of the House would be if the Liberal Democrats withdrew from the Coalition and voted with the opposition to bring down the government. Again it would be Labour who would hold the trump card.



Alternatively, a split in the Coalition might lead not to an early election but to the formation of a new government. For instance, there could be a switch to Conservative minority rule with the Liberal Democrats moving to the opposition benches but choosing not to bring down the government. Theoretically the Liberal Democrats could also switch sides and help Labour into power without the need for an intervening election, though, of course, the two parties would not have a majority.

There is also the possibility of splits within one of the coalition parties, which might transform the Government into a minority administration without a formal withdrawal of either party. In the event of a lost confidence vote, the country might also face a period of up to two weeks of uncertainty, in which attempts to form a new administration were carried out. Finally, the nature of the Coalition could be seriously affected by a leadership challenge in one of the parties.

None of these developments are seen as probable by those in or close to the Government, or at least such fears are not admitted. One Conservative told us: "I'm actually fairly confident we'll go all the way [to 2015]. I cannot see the logic for disengaging on either side, the political logic."<sup>253</sup> Liberal Democrat minister Lord Wallace similarly emphasises that the party's hard won credibility as a party of government would be thrown away by early withdrawal. As a result, he told us: "I don't detect any real suggestion that we should cut and run."<sup>254</sup> Civil servants we spoke to also tended to be sanguine on coalition stability, telling us that the idea of a coalition split was "pretty implausible because ... neither the Liberal Democrats nor the Conservatives really want an early election",<sup>255</sup> and that managing the pre-election tensions would be entirely "cope-able".<sup>256</sup>

The incentives for the party leaders may well be to stick together, given the personal political capital and credibility they have invested in the Coalition, but as the previous chapters have argued, it is the pressures from within the parties that pose the greatest challenge to the Government's stability. And there have indeed been direct calls for withdrawal from the Coalition, particularly on the Liberal Democrat side where former MP Mark Oaten has argued in favour of "a clear and decisive rupture between the Coalition parties well before a general election".<sup>257</sup> More notably, business secretary, Vince Cable in May 2012 pointedly declined to rule out an early withdrawal by his party, saying only that "before the next general election – the two parties will have to establish their own separate platforms and identity but how that disengagement takes place, over what time period is very much an issue for the future".<sup>258</sup>

On the Conservative side, voices arguing in public for early divorce are harder to find - although backbencher David Ruffley has argued that the party should press ahead with a deregulation and tax cuts agenda even if the Liberal Democrats disagree, which would in practice probably force the smaller party out of government.<sup>259</sup>

International experience also illustrates how many of the scenarios described above might occur. As noted, in 2005, Gerhard Schröder, whose coalition was unpopular and divided, found a way around strict fixed-term constitutional provisions and forced an early election



by helping pass a no-confidence vote in his own government. The idea of the larger party dissolving the Coalition was also reportedly discussed within the Scottish Labour Party towards the end of the Coalition with the Liberal Democrats, although here the rationale was to enable the party more openly to promote a distinctively Labour agenda in the last six months by governing as a minority.<sup>260</sup>

In 2010 in the Netherlands, it was the smaller partner – Labour – that pulled the plug on the Government over disagreement about participation in the war in Afghanistan. In 1994, the Irish Labour Party similarly withdrew from coalition with Fianna Fail following alleged corruption scandals and a breakdown in relationships at the top. In that case the smaller party formed a new coalition (with Fine Gael) and the country waited three more years before returning to the polls. Party splits and leadership challenges also destabilised the troubled coalitions formed in New Zealand after the 1996 and 1999 elections.

A number of recent academic analyses have suggested that the Coalition is unlikely to last till 2015. A statistical analysis of international data found that “the Coalition Government has only a one in three chance of lasting its term”.<sup>261</sup> Tim Bale similarly concluded that “a parliamentary full term, while not impossible, remains less likely than an early and potentially messy, dénouement”,<sup>262</sup> while Patrick Dunleavy has predicted that Cameron will trigger a split in the Coalition in time for a June 2014 election.<sup>263</sup> The Liberal Democrat-aligned academic Tim Leunig predicted: “It will last for no less than four years and nine months. The last three months I don’t have a clue about. I don’t think either side knows how to play the end game.”<sup>264</sup>

This report makes no predictions about the likely durability of the Coalition, but it is obvious that the probability of an early split is significantly greater than zero. As a consequence, **work should be carried out in or on behalf of Whitehall to identify what the constitutional and governance implications would be of an early split in the Coalition**, in line with any of the scenarios above.

More than one interviewee in Whitehall conceded that such contingency planning would be sensible, but pointed out that it was “very difficult for the Civil Service to do much planning for something that is avowedly against what the Government is standing for”.<sup>265</sup> It was also suggested to us that any such work would need to be conducted in a way that avoided becoming subject to leaks or FOI requests, since any media reports that the Government were planning for the end could become a self-fulfilling prophecy.

Nonetheless, such work is important. In particular, the Civil Service should dig out the files on minority government and ‘confidence and supply agreements’. The Civil Service might even be called upon to support negotiations between parties seeking to form a new administration, and while such talks took place it might need to work with a government that has just lost a confidence vote.

# Notes

1. Lord Butler of Brockwell, former Cabinet Secretary, House of Lords Hansard, 20 Jan 2011, Column 587.
2. Senior civil servant, interview 33.
3. Conservative MP, interview 43.
4. Confirmed by a former Labour special adviser, interview 3, and a former adviser to the prime minister, interview 24.
5. Senior civil servant, interview 56.
6. Senior civil servant, interview 40.
7. Senior civil servant, interview 19.
8. Senior civil servant, interview 55.
9. See: Akash Paun, *United We Stand? Coalition Government in the UK*, Institute for Government, 2010, p.26; and Robert Hazell and Ben Yong, *Inside Story: How Coalition Government Works*, Constitution Unit, 2010, p.3.
10. Sir Gus O'Donnell, Pro Bono Annual lecture, 13 July 2010, p. 7, at: [www.probonoeconomics.com/wp-content/uploads/PBE-Lecture-13th-July.pdf](http://www.probonoeconomics.com/wp-content/uploads/PBE-Lecture-13th-July.pdf)
11. Cabinet Committee Membership List, February 2012, at: [www.cabinetoffice.gov.uk/sites/default/files/resources/Cabinet-Committee-Membership-Lists-17-02-12.pdf](http://www.cabinetoffice.gov.uk/sites/default/files/resources/Cabinet-Committee-Membership-Lists-17-02-12.pdf)
12. Senior civil servant, interview 23.
13. See for example John Pugh MP, 'Getting Back On The Front Foot', 30 April 2012, at: [www.politicshome.com/uk/article/52431/john\\_pugh\\_getting\\_back\\_on\\_the\\_front\\_foot.html](http://www.politicshome.com/uk/article/52431/john_pugh_getting_back_on_the_front_foot.html)
14. Senior civil servant, interview 57.
15. See Akash Paun, *United We Stand*, p.8.
16. See Robert Winnett, 'Nick Clegg in drive to boost Liberal Democrats' influence', *The Telegraph*, 23 October 2011. At: [www.telegraph.co.uk/news/politics/liberaldemocrats/8844291/Nick-Clegg-in-drive-to-boost-Liberal-Democrats-influence.html](http://www.telegraph.co.uk/news/politics/liberaldemocrats/8844291/Nick-Clegg-in-drive-to-boost-Liberal-Democrats-influence.html) This reform was also recommended by the Institute for Government in *United We Stand*, pp. 31-33.
17. See Paul Waugh, 'David Cameron interview', *The House Magazine*, 13 January 2012. At: [www.politicshome.com/uk/article/43591/david\\_cameron\\_interview.html](http://www.politicshome.com/uk/article/43591/david_cameron_interview.html)
18. See for example James Forsyth, 'Cameron and the Civil Service Coup', *The Spectator*, 21 April 2012.
19. Sam Ghibaldan, former special adviser to the Scottish deputy first minister, quoted in Akash Paun, *United We Stand*, p.33.
20. Senior civil servants, interview 40 and 23.
21. Senior civil servant, interview 47; and former senior civil servant, interview 35.
22. Former senior civil servant, interview 28

23. *The Coalition: Our Programme for Government*, HM Government, May 2010, p. 8. Emphasis added.
24. For example, James Forsyth, 'Are wedding bells ringing in Coalition ears?', *Daily Mail*, 31 October 2010, [www.dailymail.co.uk/debate/article-1325164/Are-wedding-bells-ringing-Coalition-ears.html](http://www.dailymail.co.uk/debate/article-1325164/Are-wedding-bells-ringing-Coalition-ears.html) Accessed 14/5/2012
25. It was actually the initial shorter coalition agreement document that was put to the two parties, rather than the full programme for government. The programme for government nonetheless is seen to have the backing of both parties, since it primarily just filled in the extra detail around the core of the initial agreement.
26. Conservative MP, interview 43.
27. Interview with Mark Pack, editor of Lib Dem Voice.
28. Philip Cowley and Mark Stuart, *The Bumper Book of Coalition Rebellions*, 2012, p. 7. At: <http://nottspolitics.org/2012/05/08/the-bumper-book-of-coalition-rebellions/>
29. Conservative MP, interview 43.
30. Interview with Mark Pack.
31. See Social Liberal Forum's amendments in Spring 2011, <http://socialliberal.net/2011/03/09/slf-amendments-to-motions/> and Prateek Buch and Charles West, 'Grassroots Lib Dems: The current bill dismantles the NHS', *Left Foot Forward*, 7 September 2011, [www.leftfootforward.org/2011/09/grassroots-lib-dems-the-current-bill-dismantles-the-nhs/](http://www.leftfootforward.org/2011/09/grassroots-lib-dems-the-current-bill-dismantles-the-nhs/)
32. See Nicholas Watt, 'David Cameron accused of breaching immigration policy deal as rift opens' 14 April 2012, at: [www.guardian.co.uk/politics/2011/apr/14/david-cameron-immigration-policy](http://www.guardian.co.uk/politics/2011/apr/14/david-cameron-immigration-policy)
33. See Rajeev Syal and Josh Halliday, 'Email surveillance plans face Liberal Democrat rebellion', *The Guardian*, 2 April 2012, at: [www.guardian.co.uk/world/2012/apr/02/email-surveillance-lib-dem-rebellion](http://www.guardian.co.uk/world/2012/apr/02/email-surveillance-lib-dem-rebellion); and Caron Lindsay, 'Paddy Ashdown says Snoopers' Charter breaches the coalition deal', *Lib Dem Voice*, 12 April 2012, at: [www.libdemvoice.org/liblink-paddy-ashdown-says-snoopers-charter-breaches-the-coalition-deal-28047.html](http://www.libdemvoice.org/liblink-paddy-ashdown-says-snoopers-charter-breaches-the-coalition-deal-28047.html)
34. See Paul Goodman MP, 'There is no commitment in either the Conservative manifesto or the Coalition Agreement to a Lords reform bill', *Conservative Home*, 20 April 2012, at: <http://conservativehome.blogs.com/thetorydiary/2012/04/there-is-no-commitment-in-either-the-consevative-manifesto-or-the-coalition-agreement-to-a-lords-ref.html>
35. This point was made about the 1997 transition by a senior civil servant, interview 57; see also Peter Riddell and Catherine Haddon, *Transitions: Preparing For Changes In Government*, Institute for Government, 2009.
36. Senior civil servant, interview 25.
37. Senior civil servant, interview 54
38. Senior civil servant, interview 60.
39. Senior civil servants, interviews 15, 19, 28.
40. Senior civil servants, interviews 40, 38.
41. Senior civil servants, interviews 28, 35.
42. Senior civil servant, interview 15.

43. Senior civil servant, interview 59.
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87. Official site: [www.dialog-ueber-deutschland.de/DE/00-Homepage/homepage\\_node.html](http://www.dialog-ueber-deutschland.de/DE/00-Homepage/homepage_node.html) (in German) Public submissions closed on 15 April 2012, before moving into an evaluation phase.
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105. *Treaty on Stability, Co-ordination and Governance in the Economic and Monetary Union*, Article 3.
106. Interview with Martijn van der Stijn, Netherlands School of Government.
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108. Interview with Paul Griffiths, former Labour special adviser, Welsh Assembly Government.
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119. Interview with Pat McFadden MP.
120. Interview with Patrick Diamond, former adviser to Tony Blair.
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125. Former adviser to the prime minister, interview 24.
126. Former senior Irish civil servant, interview 32.
127. Former adviser to Tony Blair, interview 3.
128. Former special adviser to the Irish Labour Party, interview 34.
129. Swedish government official, interview 29.
130. Private meeting with Liberal Democrat activists, interview 36.
131. See Mark Pack, 'The party strategy debate: rolling highlights', 13 March 2011, at: [www.markpack.org.uk/19416/the-party-strategy-debate-rolling-highlights/](http://www.markpack.org.uk/19416/the-party-strategy-debate-rolling-highlights/)
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133. Membership of this group, we were told, has included Michael Gove, Owen Paterson, Greg Clark, Sajid Javid, Matthew Hancock, Amber Rudd and Daniel Finkelstein from the Conservative side; and Ed Davey, Chris Huhne, David Laws, Paul Marshall, Tim Leunig, Jo Swinson and Julian Astle from the Liberal Democrats, though Huhne and Astle have apparently ceased to attend.
134. Interview with Tim Leunig.
135. Former senior civil servant, interview 38
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137. Brogan, 'David Cameron has shed too much blood to back down on health reform' *Daily Telegraph* 7/2/2012 <http://blogs.telegraph.co.uk/news/benedictbrogan/100135494/david-cameron-has-shed-too-much-blood-to-back-down-on-health-reform/>

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140. Senior civil servant, interview 15. Others we spoke to echoed this point.
141. Interview with Pat McFadden MP.
142. Riddell, Gruhn and Carolan, *Challenge of Being a Minister*, p. 55.
143. John D. Huber and Cecilia Martinez-Gallardo, 'Replacing Cabinet Ministers: Patterns of Ministerial Stability in Parliamentary Democracies' in *American Political Science Review*, Vol. 102, No. 2, (May 2008), p. 179.
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152. Conservative MP, interview 10.
153. Conservative MP, interview 10.
154. See Paun, *United We Stand?*, p. 34, for a diagram of the party balance of each department's ministerial team, and p. 32 for their budgets.
155. Harold Wilson, quoted in Simon James, *British Cabinet Government*, Routledge, 1992, p. 103.
156. Discussion with Prof Simon Green, Aston University.
157. Discussion with Dr Eoin O'Malley, Dublin City University.
158. Conservative MP, interview 11.
159. Interview with Tim Leunig.



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177. 'Liam Fox urges David Cameron to stand up to Liberal Democrats', *The Telegraph*, 26 February 2012, at: [www.telegraph.co.uk/news/politics/9106761/Liam-Fox-urges-David-Cameron-to-stand-up-to-the-Liberal-Democrats.html](http://www.telegraph.co.uk/news/politics/9106761/Liam-Fox-urges-David-Cameron-to-stand-up-to-the-Liberal-Democrats.html)
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182. Senior civil servant, interview 57.
183. Senior civil servant, interview 25.
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218. Interview with Mark Drakeford.
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220. Former Irish senior civil servant, interview 32
221. Senior civil servant, interview 23.
222. Nick Boles MP, *Which Way's Up? The future for coalition Britain and how to get there*, Biteback, 2010.
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233. Interview with Ross Finnie.

234. Interview with Paul Griffiths
235. Senior civil servant, interview 25; and former senior civil servant, interview 28.
236. Interview with Patrick Diamond, former Labour Party adviser.
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238. Senior civil servant, interview 60.
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