

Government under pressure: the 2016 Queen's Speech

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Introduction

On 18 May the Government will set out its proposed legislative programme in the second Queen's Speech of this Parliament. It set itself an ambitious agenda prior to the General Election with manifesto promises such as extending seven-day coverage in the NHS. It has since introduced new initiatives, including the announcement, in the March Budget, of plans to turn all schools into academies. Meanwhile, controversial decisions such as whether and where to expand airport capacity in the South East have been pushed to the other side of the European Union (EU) referendum.

Amidst the turmoil of the EU referendum campaign, the Queen's Speech provides the Government with an opportunity to demonstrate it still has momentum. The Prime Minister will also consider this Queen's Speech important for his legacy. He has been helped by the relatively strong performance of the Conservative Party in the 5 May elections.

But the constraints facing the Government mean that the prospects for realising the legislative programme and wider public services reforms are uncertain. This paper looks at the pressures the Government faces in Parliament, public services and spending. We argue that, if it is to succeed in its already ambitious agenda, the Government needs to recognise the significant challenges it faces, take a realistic approach to meeting existing promises, and prioritise future legislation carefully.

Under pressure in Parliament

The Conservative Party made big promises on the General Election campaign trail, and trying to meet them has made governing harder. These promises included capping welfare spending and making £12 billion of welfare cuts, protecting spending in areas such as pensions, raising health spending by £8 billion and ruling out significant tax increases.

“The Government must be smarter about how it manages its business in Parliament”

As the polls predicted a coalition or minority government, party leaders would have thought these promises could be reconsidered post-election as part of negotiations. But the surprise majority tied the new Government to a challenging programme from day one.

However, the majority is slim – only 12 seats (16 once absent Sinn Féin MPs are taken into account). This makes it hard for the Government to manage the Commons, and to reverse defeats in the Lords, where it is a long way from having a majority. The Government has had three outright defeats in the Commons, and more than 50 so far¹ in the House of Lords. In the face of parliamentary opposition, it has been forced to withdraw or heavily amend many other measures, most notably £4.5 billion per year cuts in tax credits² and £1.3 billion per year cuts in Personal Independence Payments.³ So far it has rarely gained support from the Opposition benches – a notable exception being its motion to approve air strikes in Syria, which gained the support of 66 Labour MPs. With the divisions caused by the forthcoming EU referendum, a slender majority has turned out to be no majority at all.

However, while the composition of the Commons will not change significantly without a general election, the Government does have the ability to choose which issues it brings to Parliament and how it manages them. The Government must be smarter about how it manages its business in Parliament. There are three practical ways for it to do this.

First, **more attention must be paid to government whips**, and their assessment of which aspects of the Government's agenda is achievable in Parliament. This means reconciling the tension underlying every legislative programme between ministers' ambitions and whips' pragmatism. It is natural for ministers to be ambitious, and because their proposals will often have been through much debate before the parliamentary process starts, they are often inclined to push ahead despite protests from the whips (as the Education Secretary, Nicky Morgan, did when she launched

1 www.ucl.ac.uk/constitution-unit/research/parliament/house-of-lords/lords-defeats

2 HMT scorecard of Budget policy decisions, July 2015

3 HMT scorecard of Budget policy decisions, March 2016

her *Education Excellence Everywhere* white paper the day after the March 2016 Budget). But a model in which each secretary of state has a high degree of latitude is likely to create challenges. Governing with a small majority means that the balance of power must shift to the whips, and their advice on Parliamentary handling must be given more prominence. Otherwise defeats will continue to pile up in both Houses.

Second, **ministers need to spend more time with their backbenchers**. It is easy for the immediate business of governing to seem more important and attractive than spending time in Parliament, but Institute interviews highlight the risk of ignoring backbenchers. As Greg Barker, former Minister of State at the Department for Energy and Climate Change, says, if you fail to spend time in Parliament and “lose the confidence of your colleagues, even simply fail to explain what you are doing, even if you are doing a great job, you can just become politically impotent and you’re dead in the water.”⁴ If secretaries of state have not tested their ideas with backbenchers and built alliances inside and outside Parliament, their proposals will not get through. This is a particular challenge when policies are announced in Budgets, given the secrecy and lack of consultation which surrounds Budget measures.⁵ The parliamentary reaction to the announcement that all schools should become academies suggests that, with respect to this new policy, neither of these precautions have been taken. The Secretary of State then needed to adjust the policy once it had been launched.⁶

“Less but better legislation – introduced firstly in draft, where possible – would lay the parliamentary groundwork as well as contribute to government effectiveness”

Finally, **the Government needs to prioritise its legislative programme**.

The difficulty with advancing on all fronts is that a defeat in one area damages confidence and thus harms other areas of the programme. Filling the Queen’s Speech with controversial measures will harm the programme as a whole. Less but better legislation – introduced firstly in draft, where possible – would lay the parliamentary groundwork as well as contribute to government effectiveness. Too often, legislation is declaratory and wills the ends but not the means – such as the Public Services (Social Value) Act 2012, which requires local authorities to give greater consideration to economic, social or environmental wellbeing, without providing the mechanisms or resources to do so.

4 www.instituteforgovernment.org.uk/ministers-reflect/person/gregory-barker/

5 www.instituteforgovernment.org.uk/news/latest/new-project-tax-policy-making

6 www.gov.uk/government/news/next-steps-to-spread-educational-excellence-everywhere-announced

Public services under pressure

Health and social care

It is striking that although there have been significant cumulative reductions in public spending, the public seem unconcerned. In fact, 73% of those polled by Ipsos MORI at the end of 2015 said that they had been little affected by spending cuts, compared to 59% in 2012.⁷

The NHS is an exception. Record numbers of people expected health services to get worse, and levels of concern about hospitals, GP surgeries and care for the elderly had all grown. No legislation is planned on the NHS – the reorganisation resulting from the 2012 Health and Social Care Act is still bedding down. But both the importance of the NHS to the public, and its cost as a proportion of public spending, mean that the strain facing the NHS creates an important backdrop to the Government's other public service reforms.

“Social care saw some of the most significant cuts under the Coalition”

The NHS is under financial pressure, and is missing its performance targets, with 9% of patients waiting longer than four hours in Accident and Emergency (A&E) over the quarter up to the end of December 2015 – the worst performance since 2003. And the extension of seven-day cover, with the associated dispute with junior doctors, is proving very challenging.

In 2014, the Chief Executive of NHS England, Simon Stevens, stated that an additional £30 billion would be required by 2020 to fund the NHS. This assessment was underpinned by two conditions: improvements in social care and a “radical upgrade in prevention and public health.”⁸ We highlighted these conditions in the run-up to the Spending Review,⁹ and now find that they are not being met.

In the 2015 Spending Review, the Chancellor announced a £10 billion real-terms increase in NHS funding in England between 2014/15 and 2020/21. But NHS trusts are this year (2015/16) forecasting an end-of-year deficit of around £2.3 billion; this, together with higher pension costs, will absorb a large part of the increase. The Chancellor also simultaneously announced a £3 billion reduction in other Department of Health (DH) spending, most of which will have knock-on effects on the NHS. The missing £20 billion in Stevens' calculations will have to be made up by efficiencies. Savings of this order will require significant rationalisation of hospital services, with popular local services concentrated in fewer, more specialist units.

⁷ www.ipsos-mori.com/researchpublications/researcharchive/3644/Coming-to-terms-with-austerity.aspx

⁸ www.england.nhs.uk/wp-content/uploads/2014/10/5yfv-web.pdf

⁹ www.instituteforgovernment.org.uk/publications/managing-with-less

On public health, a key budget announcement was the introduction of a tax on soft drinks with a high sugar content, which would partly be used to fund school sports. But more broadly, as part of the DH cuts, public health spending will fall by at least £600 million in real terms by 2020/21, on top of £200 million already cut from the budget in 2015.¹⁰ The childhood obesity strategy is among the announcements that have been delayed until after the EU referendum.¹¹

Social care saw some of the most significant cuts under the Coalition. The Institute for Fiscal Studies estimated that per capita spending on social care fell by 16.7% between 2009/10 and 2014/15.¹² In 2013 we found that “funding levels are clearly inadequate to achieve government’s stated objectives.”¹³ Funding has declined further since then.

In the November 2015 Spending Review the Chancellor took steps to address the funding gap in social care: he announced that local authorities would be given scope to increase council tax by an additional 2% to fund social care, and adding £1.5 billion to the Better Care Fund. But not all local authorities will increase council tax, and the Better Care Fund increase will only come into effect in 2019/20, leaving several very lean years in the interim. Other pressures on local government finances will mean that social care budgets (which range from 30 to 70% of local authorities’ spending) will bear some of the strain.

Justice

A second area that the Institute considered in the period up to the Spending Review was reform of courts and prisons. Justice Secretary Michael Gove has announced the closure of a fifth of courts, with an associated programme to improve digital access by extending the use of video for prisoners on remand, for witnesses and victims, and managing fines online. But the courts have a mixed record of introducing digital technology, partly because improvements require making changes in the way that independent professionals work. Indeed, the courts saw three failed attempts to improve IT in the 1990s and 2000s.¹⁴

HM Courts & Tribunals Service has also seen spending reductions of more than a quarter since 2010. The National Audit Office has found that “backlogs in the Crown Court increased by 34% between March 2013 and September 2015, and waiting time for a Crown Court hearing has increased by 35% (from 99 days to 134) since September 2013.”¹⁵ The risk is that court closures proceed but that the digital programme does not improve or even maintain access to justice.

¹⁰ www.health.org.uk/sites/default/files/Spending-Review-Nuffield-Health-Kings-Fund-December-2015_spending_review_what_does_it_mean_for_health_and_social_care.pdf

¹¹ www.bbc.co.uk/news/health-35640299

¹² www.ifs.org.uk/publications/7621

¹³ www.instituteforgovernment.org.uk/sites/default/files/publications/Making_public_service_markets_work_final_0.pdf

¹⁴ www.publications.parliament.uk/pa/cm200203/cmselect/cmpubacc/434/434.pdf

¹⁵ www.nao.org.uk/wp-content/uploads/2016/03/Efficiency-in-the-criminal-justice-system.pdf

The Justice Secretary has said that draft legislation to reform prisons will be included in the Queen's Speech,¹⁶ promising to extend the greater autonomy offered to NHS chief executives and school head teachers to prison governors. As we have previously noted,¹⁷ these changes are taking place against a backdrop of a continuing significant reduction in spending. Assaults and deaths in prisons have also increased significantly.¹⁸ It is welcome that publication of draft legislation will allow for proper consideration of the proposed changes. A more autonomous prison system will require more effective regulation, which will need to be a focus of parliamentary scrutiny.

Schools

Finally, major changes have been proposed to schools, which briefing has suggested will form an important part of the Queen's Speech. Of 22,000 state schools in England, around a quarter are academies or are in the process of becoming academies.¹⁹ The Government has proposed that all schools should become academies – or be in the process of becoming one – by 2022 and we can expect legislation on this to be announced in the Queen's Speech.

“The need for prioritisation extends beyond the legislative programme”

Schools' resource spending was relatively protected under the Coalition, although capital spending was reduced by around a third.²⁰ Unlike in the NHS or the justice system, the challenge in making the proposed changes is not administrative but political. Teachers' unions,²¹ head teachers,²² local authorities,²³ and, most significantly, Conservative backbenchers have all voiced opposition. The policy was subsequently watered down so that fewer schools would need to become academies.²⁴ It remains to be seen whether the latest concession is sufficient to ensure that the Education and Adoption Act 2016 passes with its core policy proposals intact.

16 www.parliament.uk/business/committees/committees-a-z/commons-select/justice-committee/news-parliament-2015/prison-reform-evidence-15-16/

17 www.instituteforgovernment.org.uk/sites/default/files/publications/Managing_With_Less_WEB_0.pdf

18 www.theguardian.com/society/2016/jan/28/prison-deaths-self-harm-figures-rise

19 www.gov.uk/government/publications/open-academies-and-academy-projects-in-development

20 www.ifs.org.uk/uploads/publications/bns/BN168.pdf

21 www.teachers.org.uk/campaigns/academies and www.nasuwt.org.uk/Whatsnew/NASUWTNews/PressReleases/NASUWT_015424

22 www.bbc.co.uk/news/education-36176846

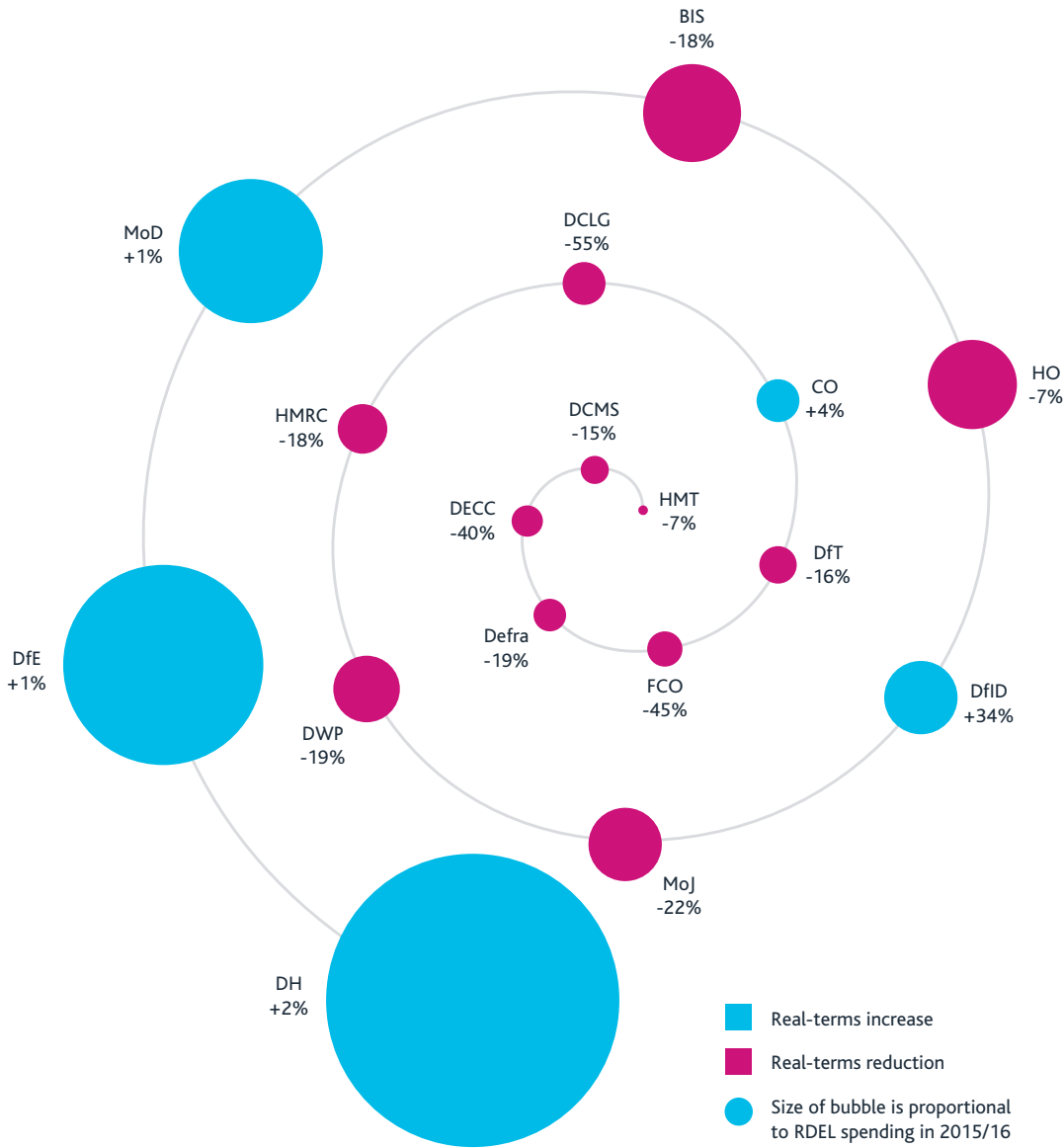
23 www.local.gov.uk/turning-schools-into-academies-why-the-lga-opposes-forced-academisation-proposed-in-budget-2016

24 www.gov.uk/government/news/next-steps-to-spread-educational-excellence-everywhere-announced

A decade of austerity

The need for prioritisation extends beyond the legislative programme. Public spending has fallen and cuts will continue.²⁵ Although some of the larger areas of spending – NHS, schools, defence – have been protected, by 2020 the public sector overall will have seen an unprecedented decade of austerity.

Figure 1: Size of, and planned changes in, government department budgets from 2015/16 to 2019/20



Source: IfG analysis of HM Govt Budget March 2016, RDEL (Resource departmental expenditure limits – day-to-day spending), excluding depreciation

²⁵ OBR Public Sector Finances, Aggregates databank, March 2016

Some information has started to emerge about what the cuts will mean for public services. For example, at the Department for Business, Innovation & Skills, grants for the poorest students have been abolished and replaced with loans. At the Department for Transport, transfers of resource (but not capital) to London will cease – a challenge for new Mayor Sadiq Khan, whose most significant responsibilities are in transport – and funding for local authorities to support bus services has been reduced.

Departments are also cutting their own budgets. For example, the Ministry of Justice must cut its administration budget by 50%, which will be accompanied by reductions in staff numbers. Making cuts of this order while introducing significant reforms increases the risk that the reforms will not proceed as planned.

“The Government needs to take a realistic approach and prioritise carefully”

As we have previously noted,²⁶ the right people with the right skills are needed if government is to manage its reform programme well. Many of the people who are needed – for example those with commercial and digital experience – have marketable skills and will have to be paid competitively. More broadly, the task of reducing spending would have been easier if the Government’s Spending Review had been followed by an effective planning process.²⁷

Conclusion

The Government has decided to attempt to balance the budget by 2020 and place most of the burden of adjustment on public spending cuts rather than tax increases. It has made big promises to the electorate which it must aim to keep. But while some of its planned reductions in welfare spending have been blocked by Parliament, other cuts have made it through. Public spending has fallen and the programme of cuts will continue.²⁸

We can expect further legislation on terrorism to form the centre-piece of the Queen’s Speech. But it is in the intersection of public spending reductions, public service reform and the Government’s small overall majority that the most intense pressure will be felt. The Government needs to take a realistic approach and prioritise carefully, or the reverses of the past few months will be repeated.

²⁶ www.instituteforgovernment.org.uk/publications/managing-with-less

²⁷ www.instituteforgovernment.org.uk/blog/13288/single-departmental-plans-implementing-the-governments-promises/

²⁸ OBR Public Sector Finances, Aggregates databank, March 2016

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