

BARGATE MURRAY BUSINESS FOCUS DOCUMENT



The winners and losers under the new coalition

Philip Henson, Partner in the City of London law firm **Bargate Murray**, analyses the business implications of the coalition document recently published by HM Government.

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The widely anticipated coalition document¹, recently announced by David Cameron and Nick Clegg, reiterates the mantras of Freedom, Fairness and Responsibility. But what could the coalition mean for your business; and what future trends can be predicted from the coalition document?

The 36 page document² is a thumb nail sketch of what the leaders hope to achieve over the next 5 years. It is divided up into 31 parts, covering sectors from Banking to Universities. The declaration in the foreword that "*difficult decisions will have to be made in the months and years ahead*" is a subtle indication of looming job cuts. As you read through the document you may get the impression that it has borrowed some ideas from across the Atlantic such as directly elected police chiefs, and measures to "*enhance customer service in the private and public sectors*"³ for example.

Private vs. Public sector

The document drives the aspiration that the private sector be freed from the burdens of administrative red tape and also indicates that the public sector will feel the brunt of the austerity cuts. The most evident victims of the cuts will be government quangos; the Ministry of Defence⁴; the Civil Service Compensation Scheme; and possibly public sector pensions⁵. At the same time the coalition intends to give public sector workers a new right to form employee-owned cooperatives.

As can be expected in the current economic maelstrom there is an obvious focus on trying to also raise extra funds for the depleted coffers by cracking down on white collar crime, tackling tax avoidance, and reviewing taxation of non-domiciled individuals.

¹ The coalition: our programme for government:

http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_187876.pdf

² Although only pages 7-32 contain any substantial text.

³ Page 13, *ibid*.

⁴ Which will have its "*running costs*" reduced by at least 25%

⁵ An independent commission to review the "*long term affordability*" of public sector payments is to be established.

The probable winners under the coalition

- **Bank of England** - More powers to be given to the Bank of England to control macro-prudential regulation.
- **Charities** – A range of measures will be taken to encourage charitable giving and philanthropy. It is implicit that this will include tax relief.
- **Children’s hospices** - £10 million per annum beyond 2011 promised from Department of Health budget to support children's hospices.
- **China and India** – The coalition is to establish a new '*special relationship*' with India and seek '*closer engagement*' with China.
- **Family Mediators** – A comprehensive review to be carried out to increase the use of mediation when couples break up.

BM Note: Bargate Murray offers bespoke mediation services.

- **Farming** – "*Home on the Farm*" schemes to encourage farmers to convert existing buildings into affordable housing; reduction of regulatory burden on farmers by moving to a '*risk based*' system of regulation; extra support for hill farmers; development of a national tree planting scheme, and a free vote will be allowed on proposals to repeal the Hunting Act. Perhaps the most ground breaking proposal is the desire to "*ensure that food procured by government departments, and eventually the whole public sector, meets British standards of production wherever this can be achieved without increasing the overall cost*".
- **Green Banking** – A green investment bank to be created; individuals to be able to invest in infrastructure needed to support the new green economy; floor prices to be introduced for carbon, and efforts to be made towards persuading the EU to move towards full auctioning of ETS permits.
- **Green Energy** – Extension of protection of support to '*off-grid*' energy consumers'; creation of an off shore energy grid to support a new generation of offshore wind power; mandate a national recharging network for electric and plug in hybrid vehicles; encourage marine energy; work towards '*zero waste*' economy encouraging Councils "*to pay people to recycle*", and support for sustainable travel initiatives.
- **Health Care** – guarantee that health care spending increases "*in real terms*" each year of the Parliament; aim to ensure that Military personnel's rest and recuperation leave can be maximised; extra support for the mental health needs of veterans, and injured personnel are to be treated in dedicated military wards.
- **Minorities** - Promotion of equal pay and "*range of measures*" to be taken to end discrimination in the work place; improved community relations and opportunities to be promoted for Black, Asian and Minority Ethnic (BAME) communities by providing internships for under represented minorities in every Whitehall

department, creation of a national mentoring scheme for BAME people who want to start a business; “*Look to promoting gender equality on board of listed companies*”⁶; Push for unequivocal support for gay rights and for UK civil partnerships to be recognised internationally.

- **Post Office** – Post offices to be allowed to offer a wide range of services; possible creation of a Post Office Bank, and Post office Card account holders to benefit from “*direct debit discounts*”.
- **Private Security** – Alternative forms of secure, treatment based accommodation for mentally ill and drug offenders to be explored.
- **Pubs/Live Music venues** – Red tape to be cut to encourage the performance of more live music.
- **Railways** – longer rail franchises to be granted to give operators incentives to invest in better services, better stations, longer trains and better rolling stock.
- **Regulatory**– The Freedom of Information Act is to be extended to provide greater transparency; CCTV to be further regulated; ban on the use of the powers in the Regulation of Investigatory Powers Act (RIPA) by Councils unless signed off by a magistrate for stopping serious crime; and a new ‘*right to data*’ to be created.
- **Policing** – The coalition intends to reduce “*time wasting bureaucracy*” and introduce better technology to make policing more effective; and a free vote is to be brought forward on the proposal to repeal the Hunting Act. If revoked this would remove the soaring financial burden of storage costs of seized animals and hunting equipment.
- **Public sector whistleblowers** - New protections for public sector whistleblowers to be introduced, although the proposal contains not even a morsel of detail.
- **SME’s** - Proposals to be developed to ensure the flow of credit to “*viable SME’s*”⁷; red tape to be cut; introducing a “*one in one out*” rule where “*no new regulation is brought in without other regulation [sic] being cut by a greater amount*”⁸; Promote small business procurement by introducing an “*aspiration*” (this is notably not a ‘target’) that a quarter of government contracts should be awarded to SME’s; government tenders to be published in full, on line, and free of charge; IR 35 to be reviewed and replaced with simpler measures to prevent avoidance; simplification of the rules and regulations relating to pensions, and work towards auto enrolling; the time it takes to set up new enterprises is to be

⁶ This vague statement does little to address the chronic lack of women in UK board rooms. My hope is that it acts as a catalyst to the debate of how the imbalance can be addressed. It does not specifically spell out a need for quotas, which some commentators had predicted.

⁷ This includes a suggestion of a major loan guarantee scheme and net lending targets for nationalised banks.

⁸ A commitment to reduce the multitude of red tape may be welcomed by SME’s. Although who decides which regulations will be cut is not clear. It could be the public as there is also a declaration that the public will be given the opportunity to challenge the worst regulations. Although the structure is not in any way clear.

cut by reducing the number of forms needed to register, moving towards a “one-click” registration model.

- **Teaching** – Teachers to be given anonymity when accused by pupils; reform of league tables; more powers to teachers and heads to ensure discipline in the classroom.
- **Turkey** – The Coalition supports further enlargement of the EU.

BM Note - Bargate Murray has fostered extensive client and business contacts in Turkey, and one of our trainee solicitors speaks fluent Turkish, and is legally qualified to practice in Istanbul.

- **UK Tourism** - UK Tourism is to be given a boost by recognising the important part it plays in the economy⁹.

The probable losers under the coalition

- **Aviation** – Third runway at Heathrow to be cancelled; permission for additional runways at Gatwick and Stansted to be refused and air passenger duties to be replaced by a per-flight duty.
- **Banking** – A banking levy to be introduced; “unacceptable bonuses” to be targeted; an independent commission to be established to investigate the separation of retail and investment banking, with an initial reporting time frame of one year.
- **Betting and Gaming** – Cash from dormant betting accounts to be used to improve local sports facilities and support sports clubs¹⁰.
- **Dentistry** – A new dentistry contract to be introduced to focus on achieving good dental health and increasing access to NHS dentistry.
- **Food retail** – Introduction of honesty in food labelling.
- **Health care** – GP contract to be renegotiated; patients to be given right to chose to register with the GP they want without being restricted by where they live; foreign healthcare professionals to be stopped working in the NHS unless they have passed ‘robust language and competence tests’; cost of NHS administration to be cut by a third.
- **HIP’s Advisors** – HIPs to be scrapped, but energy performance certificates to be retained.
- **Ofgem** – To be instructed to establish a security guarantee of energy supplies.

⁹ There is no indication of how they intend to improve competitiveness.

¹⁰ The mechanism for this is not explained.

- **Lobbyists** – Lobbying activities for the National Lottery to be banned; and a statutory register of lobbyists to be introduced.
- **Immigration Lawyers** – Introduction of annual limit on the number of non-EU economic migrants (to live and work); and new measures to be introduced to minimise abuse of the immigration system, via the student visa route.
- **Rail Industry** – Network Rail to be made “*more accountable to its customers*”¹¹, and a commitment to fair pricing for rail travel.
- **Retail/Restaurants and pubs** – Maximum fine for selling alcohol to those underage doubled to £20,000; Councils and Police to be allowed to shut down permanently any “*shop or bar*” found to be persistently selling alcohol to children; the Licensing Act is to be overhauled to give local authorities and the Police stronger powers to remove licences from, or refuse to grant licenses to, premises that are causing problems.
- **Policing** – The coalition promises a “*full review of the terms and conditions for police officer employment*”. Reading between the lines this might indicate that sick leave and overtime provisions are to be reviewed.
- **Public sector workers** - Full on line disclosure of all central government spending and contracts over £25,000; Councils to publish contracts and tender documents in full.
- **The Church of England** – There is no mention of Christianity within the coalition document. The Equalities section does refer to “*religion*” but only in the context of too many people being held back because of their “*gender, race, religion or sexuality*”.
- **Water Industry** – The Cave¹² and Walker¹³ reviews to be examined to reform the Water industry to ensure efficient use of water and the protection of poorer households.

¹¹ Page 31, *ibid*. Although it is not clear how this will be carried out.

¹² <http://www.communities.gov.uk/documents/housing/pdf/320365.pdf>

¹³ <http://www.defra.gov.uk/environment/quality/water/industry/walkerreview/documents/final-report.pdf>

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