

Freedom, Justice, Honesty

**Liberal Democrat
Manifesto 2001
Costings Document**



**LIBERAL
DEMOCRATS**

Liberal Democrat 2001 Manifesto Costings

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Introduction

This document should be read in conjunction with the Liberal Democrat Manifesto 2001.

The figures presented in this document are changes to government revenue and spending plans arising from Liberal Democrat Manifesto commitments. They amount to an additional £42 billion to be spent over five years, over and above current government plans. This includes an extra £9 billion for health, £12 billion for pensions and £15 billion for education.

With the exception of specifically costed items these costings assume all Departments will have to work within current spending plans. Where specific policies are dependent on savings, their implementation is dependent on successful achievement of these savings.

In time we are ambitious to do more for Britain, and the Manifesto also indicates some longer term policy aims. The achievement of these ambitions is contingent upon further growth in the economy and further reductions in waste. As a result these policies do not feature in this costings document.

Our policies will provide a more stable and balanced economy than under recent governments. For instance higher investment in education and a more realistic exchange rate will cut government spending on benefits and help growth in exporting industry. This contrasts to the instability of exchange rates under both Conservatives and Labour.

Our manifesto spending and taxation policies are fiscally neutral to prevent any worsening of the present overvaluation of the exchange rate and help bring down real interest rates. Our costings include allowances for inflation and are all backed by Parliamentary Answers provided by the Civil Service, the independent House of Commons Library or other independent sources. Our plans assume that year one of our figures will not be a full financial year, due to the timing of the general election. So some policies are introduced in years two and three as more funds become available and to allow the development and testing of the best value for money options for implementing policies. Estimates of revenues from tax changes for future years have been produced using comparable assumptions to Treasury forecasts.

We renew our pledge that we made in our 1997 manifesto that the deficit on government current spending should be zero over the economic cycle. We will also give the power to local government and the national administrations in Edinburgh, Cardiff and Belfast to borrow under principles based on the golden rule – subject to verification by local government auditors - that borrowing is only for investment, and is at sustainable levels. This will often bring better value for money than underinvestment (as has happened to much public infrastructure over the last generation from flood defences to the London underground) or some PFI projects - such as the proposed PPP in London.

This document has been agreed by the Federal Policy Committee of the Liberal Democrats. It contains the policy of the Federal Party, except in appropriate areas where the national policy of the Scottish and Welsh Liberal Democrats takes precedence. Separate manifestos set out our agenda for Scotland and Wales but work within the framework of spending plans set out here so imply no extra spending commitments. Figures presented are calculated on a UK-wide basis to allow comparisons with UK-wide figures published by central government and used by other political parties. Different priorities in Scotland, Wales and Northern Ireland may result in different use of revenue in practice, but do reflect our priority spending commitments on education, pensions, the NHS and the police.

Summary of Costings

A Fair Tax System

Liberal Democrats believe in a fair tax system where people contribute according to their ability to pay. To fund our pensions increases and the bulk of our increased NHS investment we will ask all those earning more than £100,000 a year to pay a 50% tax rate instead of 40% on their earnings over £100,000, reflecting similar marginal rates in comparable countries elsewhere. For most of the time Margaret Thatcher was in office the top rate was 60% on earnings comparable to £70,000 today. We will add 1p to the basic rate of income tax to pay for our plans to increase investment in education.

There are also exemptions in the tax system – that have been opened up by both Conservative and Labour governments, which can be closed. We will close two tax exemptions in Capital Gains Tax – exemption of capital gains unrealised at death and taper relief. In their place we will re-institute retirement relief and indexation. These changes to Capital Gains Tax will fund a range of policies including those on the police and transport.

Under both Conservative and Labour governments people on low incomes have paid too much tax. So when resources allow – on recent trends within the lifetime of the Parliament – we will cut the 10% rate of tax to zero. This will remove at least 1.4 million people on low incomes from tax altogether and cut tax bills by more than £180 for all taxpayers on incomes over £6,500.

Summary of the Costings

The table below summarises the changes we will make to current spending to implement our priorities for Britain (in £ million).

	Year:	2001/2	2002/3	2003/4	2004/5	2005/6
		1	2	3	4	5
	Expenditure					
1	Pensions, Wages & Benefits	1 021	3 333	3 347	3 461	3 476
2	Health	307	1 595	2 060	2 418	2 861
3	Education	2 083	3 050	3 195	3 347	3 506
4	Crime	24	153	209	224	239
5	International		50	125	250	500
6	Transport		266	517	532	547
7	Culture			24	26	29
8	Communities – farmers and the environment			30	30	32
	Total spending	3 435	8 447	9 507	10 288	11 190
	Income					
10	1p on the basic rate of income tax	2083	3050	3195	3347	3506
11	50% on incomes over £100,000 a year	1333	3700	4000	4300	4600
12	Changes to capital gains tax		1250	1571	1646	1724
13	Total savings	42	465	935	1 214	1 557
14	Net Surplus	23	18	194	219	197

Table 1: Summary of Costings (in £ million)

Health

Lines one, two and three of table 2 indicate our commitment to a higher capacity NHS through training, recruiting and retaining more staff. In particular (on top of existing government planned increases) we will put a total of 2,500 extra doctors, 7500 extra nurses and 3,750 extra professionals allied to medicine into training over five years. Of these 3,000 nurses and 1,500 professionals allied to medicine will be fully qualified by the end of the Parliament. In addition there are many health professionals who have left the NHS or are demoralised partly because of the low pay levels they receive. So we have budgeted in line 3 for an average pay increase of £1000 per year for half a million low paid professional NHS staff. To accompany the investment in staff lines 4 and 5 show our budgeting for scanners and hospital beds. Line 6 shows the cost of ending the scandal of elderly and long term patients having to pay for long-term personal care costs. Line 7 shows the cost of tackling the postcode lottery in prescribing medicines, funded by introducing a Pharmaceutical Agency to use the purchasing power of the NHS to drive down the price of established drugs and secure the more sophisticated drugs and technologies at affordable prices. Our commitment to preventive health through increased scanning programmes, free eye and dental checks and ensuring NHS dentists are available can be seen in lines 4, 8 and 9. Our health programme is mainly paid for by the 50% tax rate and savings on the drugs bill, but some comes from our Capital Gains Tax changes. Line 10 shows the savings from introducing a Pharmaceutical Agency.

	Year:	2001/2 1	2002/3 2	2003/4 3	2004/5 4	2005/6 5
	Expenditure					
1	Training doctors, nurses and PAMs	47	96	147	178	210
2	Employing more PAMs & Nurses				38	77
3	Increased pay for worst paid staff	250	513	525	538	552
4	Scanning programme			75	75	75
5	Investment in beds			132	180	180
6	Free personal care for the elderly		769	788	808	828
7	Tackling the postcode lottery for drugs	10	10	100	300	631
8	Access to dentists		128	131	135	138
9	Free eye and dental check ups		79	162	166	170
	Total spending	307	1 595	2 060	2 418	2 861
	Income					
10	Savings on the drugs bill		220	475	766	1098
11	Surplus from the 50p rate	321	900	1200	1400	1700
12	Part of the revenue from changes to Capital Gains Tax		474	385	252	63

Table 2: Health (in £ million)

Pensions, Wages and Benefits

Line one of table 3 shows the cost of increasing the basic state pension by £5 a week for each single pensioner, £10 for the over 75s and £15 for the over 80s. Couples will receive £8, £18 and £28 respectively. This will be entirely funded from a 50% rate on incomes of more than £100,000 a year – shown in line 8.

We would pay for other increases for the poorest and most vulnerable in society through a vigorous programme to tackle housing benefit fraud. This will reduce housing benefit fraud substantially within three years by making sure every local authority reaches at least the level of the best performers at present by following best practice (Line 7). As savings become available we would be able to implement a number of measures. We will make cold weather payments to people receiving income support more effective by ensuring that they take account of 'wind chill' which is currently overlooked (Line 2). We will support young people and reduce homelessness by restoring 16 and 17 year olds' entitlements to benefits and by increasing housing benefit for the under 25s by ending the Single Room Rent Restriction which assesses housing benefit on the basis of people sharing accommodation (Lines 4 and 5). We will provide more support for disabled people through an extension to severely disabled people of the Winter Fuel Payment system at £200 a year (Line 3). We will provide families with children who have been on income support for more than one year with an extra £200 per year (Line 6).

	Year:	2001/2 1	2002/3 2	2003/4 3	2004/5 4	2005/6 5
	Expenditure					
1	£5 addition & age top ups	1 013	2 800	2 800	2 900	2 900
2	Cold weather payments	8	8	9	9	10
3	Winter fuel payments		205	210	215	220
4	16&17 benefits		105	108	110	113
5	Under 25s housing benefits		32	32	33	34
6	Tackling child poverty		184	188	193	198
	Total spending	1 021	3 333	3 347	3 461	3 476
	Income					
7	Cutting Housing Benefit Fraud	42	171	437	448	459
8	Part of 50p rate revenue	979	3,163	2,910	3,013	3,016

Table 3: Pensions, Wages and Benefits (in £ million)

Education

Our pledges are to ensure quality life long education. Line 1 of table 4 covers 1000 early years specialists as well as training and facilities for early years education. Line 2 shows the cost of our schools package – 5000 extra secondary teachers; cutting maximum average class sizes to 25 for 5-11 year olds; a full salary for trainee teachers so that enough trainee teachers are recruited; paid preparation hours for primary teachers; and to guarantee a classroom assistant for every 25 pupils between 5-7. Line 3 represents our commitment to improved funding for books, instrumental tuition and computers for schools. Line 4 covers the abolition of tuition fees, restoration of grants, improving access and ensuring better pay and conditions for those working in the sector. Line 5 shows our commitment to offering every adult the cost of tuition for the equivalent of 5 GCSEs at grades A to C, and for those aged 16 to 24 the tuition fees for the equivalent to 2 A-Levels. Line 6 costs tax incentives to encourage small and medium sized enterprises to improve training. Line 7 represents our increased investment to develop safe routes to school and to tackle the backlog of school building repairs.

Our commitment to education is underwritten by raising the basic rate of income tax by 1p in the pound. Line 8 therefore reflects the revenue from an extra 1p on the basic rate of income tax, drawn from official Treasury figures. This restores the basic rate to that inherited by Labour from the Conservatives in 1997.

	Year:	2001/2	2002/3	2003/4	2004/5	2005/6
		1	2	3	4	5
	Expenditure					
1	Early years education	108	136	139	143	146
2	Teachers & Class sizes	876	1406	1555	1594	1633
3	Books, technology and music	124	175	179	188	210
4	Higher education	580	713	731	750	768
5	Further education	346	430	442	461	480
6	Employment policy	50	62	63	65	66
7	Green action		129	85	146	201
	Total spending	2084	3051	3194	3347	3504
	Income					
8	1p on the basic rate of income tax	2,083	3,050	3,195	3,347	3,506

Table 4: Education (in £ million)

Crime

Our priority is to increase police numbers to prevent crime, to catch criminals when offences do take place, and to prevent convicted criminals from committing crimes when they leave prison.

Line 1 of table 5 shows our plans to ensure there are at least 6000 more police officers than in March 2000. This number includes Labour's plans for increasing recruitment, but adds funding for an additional 2000 full time recruits. We will also provide resources for an additional 2000 part time community officers. We would provide development funding to establish Community Safety Forces and fund targeted measures to improve recruitment and retention of police officers.

The cost of measures to reduce reoffending by ex-prisoners through increasing access to education and skills training to equip them for work after release is shown in line 2.

Line 3 shows the net cost of the remainder of our crime prevention package – focusing on funding anti-burglary initiatives, prevention of domestic violence and is in addition to Labour's plans for the crime reduction fund.

Line 4 shows our commitment to better enforcement of laws on animal welfare through funding research into alternatives to animal testing, more customs officers with Convention on International Trade in Endangered Species training, and more inspections by the Home Office Inspectorate for scientific procedures on animals.

Line 5 costs an increase of around 15% in the number of caseworkers dealing with asylum applications – so that they are decided more fairly and more quickly. This will help reduce asylum support costs, since their cases will be decided more rapidly.

Line 6 shows our savings from redirecting funds from prison building to ensuring that prisons provide a full working week.

	Year:	2001/2 1	2002/3 2	2003/4 3	2004/5 4	2005/6 5
	Expenditure					
1	Police recruitment and retention package	24	100	144	147	150
2	Prisons package		48	49	50	52
3	Crime prevention package			10	20	30
4	Animal welfare package			1	1	1
5	Asylum caseworkers		5	5	6	6
	Total spending	24	153	209	224	239
	Income					
6	Prisons building		74	23		

Table 5: Law and Order (in £ million)

International

Line 1 of table 6 shows the first steps towards achieving the UK's commitment to meet the UN target of increasing overseas aid to 0.7% of national income over the next ten years

	Year:	2001/2 1	2002/3 2	2003/4 3	2004/5 4	2005/6 5
	Expenditure					
1	Increased funding for DFID		50	125	250	500
	Total spending		50	125	250	500

Table 6: International (in £ million)

Transport

Line 1 of table 7 shows the cost of extending free off-peak local travel on buses to the over 60s and people with disabilities. This would extend across the UK the scheme currently operating in London and those being developed in Wales, helping older people with local transport and protecting the environment by reducing unnecessary car use. Line 2 shows the cost of creating a Rural Transport Regeneration Fund to improve community transport schemes and public transport in rural areas.

	Year:	2001/2 1	2002/3 2	2003/4 3	2004/5 4	2005/6 5
	Expenditure					
1	Free public transport for over 60s and disabled		240	491	504	516
2	Rural Transport Regeneration Fund		26	26	28	31
	Total spending		266	517	532	547

Table 7: Transport (in £ million)

Culture, the Arts and Sport

We will promote diversity in culture, the arts and sport. Line 1 of table 8 costs our commitment to establishing a fund to bring artists to work in schools, hospitals and prisons. Line 2 costs free internet access in libraries. Line 3 covers the establishment of a Community arts and sports fund to develop Art and Sport in the Centre of Communities.

	Year:	2001/2	2002/3	2003/4	2004/5	2005/6
		1	2	3	4	5
	Expenditure					
1	Artists fund			10	11	12
2	Free internet access in libraries			5	5	6
3	Community arts and sports fund			9	10	11
	Total spending			24	26	29

Table 8: Innovation in Culture, Arts and Sport (in £ million)

Rural, Urban and Suburban Life

We will help tenant farmers by funding a targeted early retirement and new entrant scheme and by reforming diversification schemes to help tenants to diversify. Line one of table 9 shows the cost of setting aside £10,000 for every farmer retiring and £6500 for every new entrant. We expect 100% match funding from the EU to be available.

We will also increase spending on habitat restoration and green jobs to increase the area of environmentally important habitats. Line 2 costs this pledge.

	Year:	2001/2	2002/3	2003/4	2004/5	2005/6
		1	2	3	4	5
	Expenditure					
1	Farmers retirement package			15	15	16
2	Green jobs			15	15	16
	Total spending			30	30	32

Table 9: Rural, Urban and Suburban Life (in £ million)

Notes

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