

<b>Committee(s)</b>	<b>Dated:</b>
Policy and Resources Committee	28 May 2015
<b>Subject:</b> 2015 UK General Election	<b>Public</b>
<b>Report of:</b> The City Remembrancer and Director of Public Relations	<b>For Discussion</b>

### Summary

This report aims to summarise the 2015 General Election in terms of London, the Government and Opposition front benches, new MPs of interest and relevant policy issues.

Against widespread expectations and persistent polling evidence the Conservatives scored a remarkable victory and secured their first majority since 1992. The Conservatives won 331 seats (a gain of 24), Labour have 232 (a loss of 26), the Liberal Democrats have 8 (a loss of 47) and the Scottish National Party have 56 (a gain of 50). UKIP kept their by-election gain in Clacton but lost Rochester and Strood and Nigel Farage failed to gain Thanet South. The Conservatives had 36.9% of the national vote, Labour 30.4%, UKIP 12.6%, the Liberal Democrats 7.9% and the Green Party 3.8%. The SNP's 50% of the vote in Scotland equates to a 4.7% national share. In London the Labour Party now has 45 MPs (up 7 seats), the Conservatives have 27 (down 1) and the Liberal Democrats 1 (down 6).

The Prime Minister moved quickly to form his Government. At the top table, it is very much a "Continuity Cabinet" with many Secretaries of State retaining their portfolios. There has, however, been a far greater reshuffle amongst the junior ranks and, as a result of the departure of the Liberal Democrats from Government, the Prime Minister was in the unusual position of having government posts to hand out without having to sack anybody. The resignation of Ed Miliband and the unseating of Labour's Shadow Chancellor Ed Balls, along with all but one its Scottish MPs, including Shadow Foreign Secretary Douglas Alexander, has necessitated a reshuffle on the opposition benches too. A number of MPs with City and/or London backgrounds were elected outside London and short biographies are included.

The election of a Conservative majority Government means that the Conservative Manifesto is the key determinant in predicting future policy direction and is the document on which Jeremy Heywood has instructed the Civil Service to work. The key topics are: public spending, business and the economy, European Union, taxation, crime and policing, immigration, local government, political and constitutional reform, education and skills, housing, transport and arts and culture.

### **Recommendation**

Members are asked to note and discuss the contents of this report.

### **Main Report**

#### **Overview**

1. Against widespread expectations and persistent polling evidence the Conservatives scored a remarkable victory and secured their first majority since 1992. The Conservatives won 331 seats (a gain of 24), Labour have 232 (a loss of 26), the Liberal Democrats have 8 (a loss of 47) and the Scottish National Party have 56 (a gain of 50). UKIP kept their by-election gain in Clacton but lost Rochester and Strood and Nigel Farage failed to gain Thanet South. The Conservatives had 36.9% of the national vote, Labour 30.4%, UKIP 12.6%, the Liberal Democrats 7.9% and the Green Party 3.8%. The SNP's 50% of the vote in Scotland equates to a 4.7% national share. The City Corporation alumni Jackie Doyle-Price (Con, Thurrock) and Karl McCartney (Con, Lincoln) both retained their seats with increased majorities and Jackie Doyle-Price was subsequently appointed as an Assistant Government Whip.

#### **London**

2. In London the Labour Party now has 45 MPs (up 7 seats), the Conservatives have 27 (down 1) and the Liberal Democrats 1 (down 6). Notable losses in London include former Business Secretary Vince Cable (LD, Twickenham), former Energy Secretary Ed Davey (LD, Kingston and Surbiton), former Justice Minister Simon Hughes (LD, Bermondsey and Old Southwark), former Home Office Minister Lynne Featherstone (LD, Hornsey and Wood Green), and former London Assembly Member Angie Bray (Con, Ealing Central and Acton). Although the Labour Party made progress in London, they will be disappointed that they failed to gain a number of their key

targets including Hendon, Croydon Central and Harrow East. There are 19 new MPs in London.

## **Government**

3. The Prime Minister moved quickly to form his Government. At the top table, it is very much a “Continuity Cabinet” with many Secretaries of State retaining their portfolios. There has, however, been a far greater reshuffle amongst the junior ranks and, as a result of the departure of the Liberal Democrats from Government, the Prime Minister was in the unusual position of having government posts to hand out without having to sack anybody. Following the appointments, four of George Osborne’s previous Parliamentary Private Secretaries are attending Cabinet – Sajid Javid, Amber Rudd, Greg Hands and Robert Halfon.

Despite rumours to the contrary circulating before the election, there have been no changes to the machinery of government and the departmental structure has been retained.

The Prime Minister has said Boris Johnson will attend ‘political cabinet’ during the remainder of his term as Mayor of London, but he has not received a Ministerial appointment.

The key points are below. The emboldened names will be the top priorities for engagement.

## **CABINET**

- Chancellor **George Osborne** is made First Secretary of State. This is widely seen as a move to give him more authority in leading the EU renegotiations.
- **Greg Hands** moves from the Whip’s Office to become Chief Secretary to the Treasury, replacing Danny Alexander. Hands had a career in the City before entering Parliament.
- **Sajid Javid** replaces Vince Cable as Business Secretary.
- **John Whittingdale**, previously Chairman of the Commons Culture Select Committee, replaces Javid as Culture, Media and Sport Secretary.
- **Greg Clark** replaces Eric Pickles as Local Government Secretary. Clark, the former Cities Minister, is a strong advocate of devolution to cities and local government.
- Oliver Letwin stays in the Cabinet Office and assumes its overall control. His long-term position as a Cameron policy adviser is rewarded with a place in Cabinet.

- Chris Grayling replaces William Hague as the Leader of the House.
- Michael Gove is appointed Justice Secretary and Lord Chancellor. Former Immigration Minister, Mark Harper replaces him as Chief Whip.
- Baroness Stowell retains her position as Leader of the House of Lords and Lord Privy Seal, and has been promoted to a full Cabinet member.
- David Mundell, the only Conservative MP in Scotland, becomes Scottish Secretary
- George Osborne's former PPS (and venture capitalist) Amber Rudd replaces Ed Davey as Energy and Climate Change Secretary—the promotion from Parliamentary Under Secretary of State to Cabinet Minister is a big one.
- **Theresa May** (Home Office), **Philip Hammond** (FCO), Michael Fallon (Defence), **Nicky Morgan** (Education), **Patrick McLoughlin** (Transport), Jeremy Hunt (Health), Liz Truss (DEFRA), Theresa Villiers (Northern Ireland), Justine Greening (International Development), Stephen Crabb (Wales) and Iain Duncan Smith (Work & Pensions) all remain in post.

## MINISTERS

- Having stepped down at the election, **Francis Maude** is to be made a peer and immediately returns to Government as Trade Minister, reporting to both the FCO and BIS, and **David Lidington** retains his Europe brief at the FCO.
- **Harriet Baldwin**, who worked for JP Morgan between 1986 and 1998, is appointed Economic Secretary to the Treasury and “City Minister”. Baldwin knows the City Corporation well having attended three dinners in the previous Parliament. Damian Hinds becomes Exchequer Secretary and **Jim O’Neill** receives a peerage and joins the Treasury as Commercial Secretary.
- Matt Hancock becomes Minister for Cabinet Office and Paymaster General, replacing Francis Maude.
- **Ed Vaizey**, a supporter of the City’s activity on promoting improvements to broadband provision, retains his position as a Minister of State at DCMS and BIS.
- **Anna Soubry** has been appointed Minister for Business and Enterprise with the right to attend Cabinet.
- **Priti Patel** takes over from the unseated Esther McVey as Minister of State for Employment at DWP, attending Cabinet. She was Exchequer Secretary in the last Parliament.
- Robert Halfon has been appointed Deputy Chairman of the Conservative Party and Minister without Portfolio.

- John Hayes is the only new appointment at the Home Office and becomes Minister for Security. **Mike Penning**, James Brokenshire and **Karen Bradley** all retain their portfolios for now.
- James Wharton, **Marcus Jones** and Mark Francois are among the new appointments at the DCLG. Wharton, who saw his profile boosted by the EU Referendum Bill, will have responsibility for championing the “Northern Powerhouse”. Jones is Minister for Local Government.
- **Brandon Lewis** retains responsibility for housing and planning at DCLG.
- Former Head of the Prime Minister’s Policy Unit Jo Johnson, is appointed to BIS and takes responsibility for Universities and Science.
- Former Communities Secretary Eric Pickles has left Government but is rumoured to be given a role as Anti-Corruption Tsar.

## Opposition

4. The resignation of Ed Miliband and the unseating of Labour’s Shadow Chancellor Ed Balls, along with all but one its Scottish MPs, including Shadow Foreign Secretary Douglas Alexander, has necessitated a reshuffle on the opposition benches too. Harriet Harman, the Leader of the Opposition and Acting Leader of the Labour Party, appointed Chris Leslie as Shadow Chancellor, and Hilary Benn as Shadow Foreign Secretary.

The key Labour appointments so far:

- Chris Leslie, who in the past has positively engaged with the City, replaces Ed Balls as Shadow Chancellor. Shabana Mahmood becomes Shadow Chief Secretary.
- Hilary Benn replaces Douglas Alexander as Shadow Foreign Secretary.
- Emma Reynolds replaces Benn as Shadow Secretary of State for Local Government. Reynolds attended a dinner at Guildhall when she was Shadow Europe Minister.
- Sadiq Khan returns to the backbenches ahead of his anticipated bid to become Labour’s candidate for London Mayor.
- Former Lord Chancellor Lord (Charlie) Falconer returns to the front bench as Shadow Justice Secretary.

The new Labour Leader will be announced on 12 September and the winner is likely to undertake a substantial reshuffle. The latest list of candidates for Leader is Shadow Health Secretary Andy Burnham, Shadow Home Secretary, Yvette Cooper, Shadow International Development Secretary Mary Creagh, and Shadow Health Minister Liz Kendall. Although he was the first to announce his candidacy following Ed Miliband’s resignation, Shadow Business Secretary Chukka Umunna has since withdrawn.

The two declared candidates for the Liberal Democrat Leadership are former Party President Tim Farron and former Health Minister Norman Lamb, with the result announced in July.

### **Interesting new MPs**

5. A number of MPs with City and/or London backgrounds were elected outside London.

### **CONSERVATIVE**

- **Heidi Allen** *Conservative, South Cambridgeshire*  
Ran a family manufacturing business which exports worldwide.
- **Ed Argar**, *Conservative, Charnwood*  
Cabinet member for City Management, Transport and Environment at Westminster City Council.
- **Victoria Atkins**, *Conservative, Louth & Horncastle*  
Works as a barrister at Red Lion Chambers in the City and is on the Serious Fraud Office's list of specialist fraud prosecutors.
- **Alex Chalk**, *Conservative, Cheltenham*  
Works as a barrister at 6KBW in the City and was a Hammersmith and Fulham councillor from 2006-2014.
- **James Cleverly**, *Conservative, Braintree*  
Cleverly has been a London Assembly Member for Bexley and Bromley since 2008 and is chairman of the London Fire and Emergency Planning Authority.
- **Alberto Costa**, *Conservative, South Leicestershire*  
Worked in the Treasury Solicitors Department in Whitehall.
- **Oliver Dowden**, *Conservative, Hertsmere*  
Dowden was Deputy Chief of Staff to David Cameron.
- **Flick Drummond**, *Conservative, Portsmouth South*  
Worked as an insurance broker in London.
- **Suella Fernandes**, *Conservative, Fareham*  
Works as a barrister at No 5 Chambers in the City.
- **Lucy Frazer**, *Conservative, South East Cambridgeshire*  
Works as a commercial and insolvency barrister at South Square, London.
- **Nusrat Ghani**, *Conservative, Wealden*  
Ghani worked in the City of London.
- **Simon Hoare**, *Conservative, North Dorset*  
Managing director of Community Connect, a public affairs agency which works in the property development sector.
- **Kevin Hollinrake**, *Conservative, Thirsk and Malton*

Hollinrake co-founded Hunters estate agents, which now has 140 branches nationwide.

- **Ranil Jayawardena**, *Conservative, North East Hampshire*  
Jayawardena works as a government relations manager for Lloyds Banking Group and is a Freeman of the City of London. Attended Conservative PPC lunch at Guildhall.
- **Julian Knight**, *Conservative, Solihull*  
Worked as money and property editor for the Independent.
- **Alan Mak**, *Conservative, Havant*  
Worked as a corporate lawyer in the City. Attended Conservative PPC lunch at Guildhall.
- **Kit Malthouse**, *Conservative, North West Hampshire*  
Malthouse was Deputy Mayor of London for Policing from 2008 to 2012 and has been Deputy Mayor for Business and Enterprise since 2012.
- **Huw Merriman**, *Conservative, Bexhill and Battle*  
Merriman managed the team of lawyers who oversaw the insolvency of Lehman Brothers in London.
- **Jeremy Quin**, *Conservative, Horsham*  
Worked at Deutsche Bank and involved in The City UK.
- **Rishi Sunak**, *Conservative, Richmond*  
Sunak co-founded a large investment firm and runs Policy Exchange's BME Research Unit.
- **Craig Tracey**, *Conservative, North Warwickshire*  
Founded and ran an insurance brokers firm.
- **Thomas Tugendhat**, *Conservative, Tonbridge and Malling*  
Worked as an energy analyst in the City.
- **David Warburton**, *Conservative, Somerton and Frome*  
A former teacher in inner London, Warburton set up a number of international online businesses.
- **Matt Warman**, *Conservative, Boston and Skegness*  
Was technology editor of the Telegraph. Attended PPC lunch at Guildhall in 2015.

## **LABOUR**

- **Louise Haigh**, *Labour, Sheffield Heeley*  
Haigh worked as a public affairs manager for Aviva.
- **Stephen Kinnock**, *Labour, Aberavon*  
Kinnock was Europe and Central Asia director at the World Economic Forum in Geneva. Since 2012 he has been a director of Xynteo, a business consultancy in London. Attended PPC lunch at Guildhall in 2014.

- **Peter Kyle**, *Labour, Hove*  
A former Cabinet Office special advisor on social exclusion. Attended PPC lunch at Guildhall in 2014.
- **Rebecca Long-Bailey**, *Labour, Salford and Eccles*  
Solicitor at Hill Dickinson specialising in NHS contracts.
- **Melanie Onn**, *Labour, Great Grimsby*  
Former head of compliance at Labour Party HQ.

## **Policy Implications**

6. The election of a Conservative majority Government means that the Conservative Manifesto is the key determinant in predicting future policy direction and is the document on which Jeremy Heywood has instructed the Civil Service to work. The specifics relating to issues of interest to the City Corporation are as follows:

### Public Spending

The Government will continue to reduce public spending by 1% in real terms per year for two years. This involves a fiscal consolidation of £30billion over the next two years, including £13billion in departmental savings, £12billion in welfare savings and £5billion by tackling aggressive tax avoidance. The Government aims to have a balanced current budget by 2017-18 and then to move into a budget surplus in order to reduce the national debt.

### Business and the Economy

The manifesto restated the intention to ringfence banks' high street branches from their investment arms by 2019 and commits to the UK 'having the toughest regime of bonus deferral and clawback of any financial centre'. The existing levy on banks' balance sheets will be retained and the Government's stakes in the bailed-out banks will continue to be sold.

### European Union

The Government will hold an 'in/out' EU referendum by the end of 2017, following a renegotiation of the UK's membership. There are strong indications that the referendum will be brought forward to 2016. The Government's aim will be to preserve the integrity of the Single Market, by insisting on protections for those countries that have kept their own currencies, and to expand the Single Market by breaking down the remaining barriers to trade and ensuring that new sectors are opened up to British firms. They also promise to resist EU attempts to restrict legitimate financial services activities. Changes to free movement and welfare rules will be a priority in the renegotiation, so that people will not have the right to child



benefit, tax credits or social housing for at least four years after moving to the UK.

### Taxation

The Government will introduce a £50,000 threshold for the 40% income tax rate by 2020 and has made a commitment that the basic tax-free allowance will be automatically uprated so that no-one working average hours on the minimum wage will pay income tax. The Inheritance Tax threshold for married couples and civil partners will increase to £1 million, with a new transferable main residence allowance of £175,000 per person. A commitment to have no increases in VAT, Income Tax or National Insurance will be passed into law. There will be increases to the annual tax charges paid by those with non-domiciled status and action to continue international efforts to ensure global companies pay their fair share in tax.

### Crime and Policing

The Government aims to improve the response to cyber-crime with reforms to police training and an expansion in the number of volunteer ‘Cyber Specials’ police officers. The Government will introduce new powers for the security services to access communications data – “the ‘who, where, when and how’ of a communication, but not its content”.

### Immigration

The Government maintains the ambition to reduce net migration to the tens of thousands and will maintain the cap on non-EU migrants at 20,700 during the next Parliament. Employers who regularly use the Shortage Occupation List, under which they can bring skilled foreign workers into the UK, will be required to provide long-term plans for training British workers.

There will be reforms to the student visa system to reduce abuse and over-staying, along with clamping down on the number of so-called ‘satellite campuses’ opened in London by universities located elsewhere in the UK. There will also be legislation to “ensure that every public sector worker operating in a customer-facing role must speak fluent English”. Further, new rules will require new language tests for those seeking a visa extension.

### Local Government

The Government will devolve further powers over planning and over skills spending to the Mayor of London. In Cambridgeshire, Greater Manchester and Cheshire East, there will be pilots allowing local councils to retain 100 per cent of growth in business rates. There will be a major review into business rates by the end of 2015 to ensure that from 2017 they properly

reflect the structure of the modern economy and provide clearer billing, better information sharing and a more efficient appeal system.

### Political and Constitutional Reform

A Scotland Bill will be introduced in the first Queen's Speech to devolve significant tax and spending powers to the Scottish Parliament in accordance with the Smith Agreement. Further powers will also be devolved to the Welsh Assembly in accordance with the St David's Day Agreement. The devolution of corporation tax powers to the Northern Ireland Assembly will be completed in accordance with the Stormont House Agreement.

Parliamentary procedure will be changed so that the detail of legislation affecting only England or England and Wales will be considered by a Committee drawn in proportion to party strength in England or England and Wales. No bill or part of a bill could pass to its third reading without a consent motion from a grand committee consisting of all English or all English and Welsh MPs. This will also apply to financial decisions when the equivalent powers have been devolved to Scotland.

The Government will repeal the Human Rights Act and replace it with a British Bill of Rights which "will remain faithful" to the original European Convention on Human Rights.

### Education and Skills

University Technical Colleges will be extended across the UK. Any school judged by Ofsted to be requiring improvement will be taken over by leading headteachers – "backed by expert sponsors or high-performing neighbouring schools". There will also be at least 500 new free schools by 2020. The maximum amount for university tuition fees will be maintained at £9000.

### Housing

Right to buy will be extended to housing association tenants so that they will have the same discounts as conventional council tenants who exercise their right to buy.

A London Land Commission will be established with a mandate to identify and release all surplus brownfield land owned by the public sector. Local authorities will be required to have a register of available development land and ensure that 90% of suitable brownfield sites have planning permission for housing by 2020. Councils will be required to sell their most expensive social housing when it becomes vacant and direct some of the proceeds into a £1 billion Brownfield Regeneration Fund to build more affordable public housing.

### Transport

As well as completing High Speed 2, High Speed 3 and Crossrail, the Government will push forward with plans for Crossrail 2, a new rail route running through London and connecting Surrey and Hertfordshire. The Government will invest £13 billion in transport in the North of England through electrifying the main rail routes and road upgrades. Rail fares will only be allowed to rise in accordance with the Retail Price Index. The Government promises to respond to the Airports Commission's final report.

### Arts and Culture

The Government will support plans to develop a modern world class concert hall for London and will support a Great Exhibition in the North. There will be a comprehensive review of the BBC Royal Charter, with the licence fee remaining frozen at least until then.

## **Conclusion**

7. Members are asked to note and discuss the contents of this report.

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