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FTI Consulting Public Affairs Christmas Snapshot 2021

Analysis and predictions from FTI Consulting's UK Public Affairs Team

Last year's roundup, produced under lockdown before Christmas 2020, had an underlying question running through it: how quickly will things return to "normal"?

Hindsight – 20:21 vision – tells us that it was the wrong question. After a second year dominated – in social policy, economic considerations, political fortunes, everything – by Covid, the right question to many of us now seems to be: will we return to "normal" again?

A year ago we predicted that Boris Johnson's future depends upon perceptions about the handling of the pandemic, as does that of his government. We would not have guessed that this question would still be an open one as 2021 draws to a close.

Beneath that backdrop, 2021 has been the ultimate mixed bag of political events. A year of by-elections and upsets, rampant government spending, jousting and bickering with neighbours and allies, frequently changing government advice and regular state intervention in every aspect of life has seen the need for public affairs counsel grow to the highest point we have ever seen – and one prediction for 2022 we will not shy away from is that this trend will only grow in the months to come.

Here are some broad themes to bear in mind:

Debt matters: at some point, inflation will bite. It has to. As reported this morning, in November it hit 5.1% - double the target and a 10-year high. This will change the perspective of businesses, and also voters, with regard to the economic and political landscape. The Chancellor has made it clear that he wishes to ensure that taxes will be falling rather than rising before the next General Election; a tight timetable and economic headwinds make that a challenging ambition, even before further potential economic hits from new variants and their consequences are considered. Government has spent in peacetime in a fashion more accustomed to wartime. Broadly speaking, the markets understand this – but they do so, in part, on the basis that wars end.

Borderlands are a focus: whether it be on the EU's eastern flank, where Hungary and Poland become ever-more robust in their positions on migration, or the Ulster / Irish border, where the Prime Minister's assurances have not been forgotten, the whole continent of Europe sees a focus on borders unimaginable only a few years ago. A populist candidate for the Presidency in France is realigning the political centre ground on this issue as I write, and the effect of that change in the engine room of the EU is likely to be felt whatever comes of his eccentric campaign. Our ability to travel remains stymied, wreaking havoc upon leisure and tourism as well as slowing broader economic activity as business activity and investments are postponed. Self-sufficiency, once a near-absurdity of a proposition in a frictionless, just-in-time global economy, is discussed in sector after sector. Borders will play a part in 2022 in a way not seen in Europe for a generation.

Labour resurgence – or not? With all the travails faced by the government, with some by-elections lost and others just scraped through, if Sir Keir Starmer cannot make a real breakthrough in the polls, even the Labour Party – notably less ruthless with leaders than their Tory opponents in the past – may ask itself: if not now, when? 2022 will decide whether Starmer is merely a caretaker leader for the transition to a newly confident and successful opposition frontbench, or the long-term leader of a credible government-in-waiting himself.

We hope that you enjoy our snapshots. Whatever 2022 may hold for you and yours, we wish you as restful a break as can be had in these days of déjà vu unpleasantness – and, whatever next year has in store, once again we stand ready to help meet your public affairs needs throughout the year to come.

Alex Deane, UK Head of Public Affairs

Month by month

January – The Prime Minister announced another national lockdown for England, with rules similar to those in March 2020. The Brexit Transition Period ends and the UK left the European Single Market as the Trade and Cooperation Agreement with the EU entered force, provisionally at least. Kwasi Kwarteng is appointed Secretary of State for Business, Energy and Industrial Strategy, replacing Alok Sharma who became the new President for COP26.

February – A Supreme Court ruling agreed unanimously against a legal challenge made by Shamima Begum, challenging the Home Secretary's decision to strip her British citizenship for joining Isis. Anas Sarwar defeated Monica Lennon in the 2021 Scottish Labour leadership election.

March – Mike Hill, the Labour MP for Hartlepool, resigned his seat following allegations of sexual harassment and victimisation. A number of British parliamentarians had sanctions placed on them by the Chinese government. Former Scottish First Minister Alex Salmond launched the pro-independence Alba Party, which sees defections from the SNP including sitting MPs Kenny MacAskill and Neale Hanvey. The Government launched its vision for Global Britain with its Integrated Review of Security, Defence, Development and Foreign Policy.

April – Conservative MP Johnny Mercer resigned as Minister for Veterans over the exclusion of operations in Northern Ireland from the Overseas Operations Bill, designed to protect veterans from unfounded prosecutions. The European Parliament ratified the Trade and Cooperation Agreement, affording it full legal effect. Arlene Foster announced her resignation as First Minister of Northern Ireland and leader of the DUP.

May – The Conservatives made significant gains in English local elections, adding 13 councils to their tally as well as a once-unthinkable victory over Labour in the Hartlepool by-election for Jill Mortimer. Labour performs better in mayoral races, as Sadiq Khan was re-elected in London, Andy Burnham won a second term in Greater Manchester, and Tracy Brabin became West Yorkshire's first elected mayor. In Scotland, the SNP slightly improved on their 2015 election winning result but fell just short of a Holyrood majority - a story mirrored by Labour in Wales. An attempted reshuffle by Keir Starmer is toned down after an attempt to marginalise Angela Rayner, his independently elected deputy, faces strong resistance.

June – Matt Hancock resigned as Health Secretary after a video was leaked showing him breaching social distancing guidance by kissing his adviser Gina Coladangelo. In the Chesham and Amersham by-election, Liberal Democrat candidate Sarah Green was elected, overturning a 16,000 Conservative majority. Edwin Poots resigned as leader of the Democratic Unionist Party, having only been in position for 21 days and Sir Jeffrey Donaldson was subsequently elected unopposed. All legal limits on social contact England were removed and closed sectors of the economy were allowed to reopen. The G7 agrees on a global minimum corporate tax rate of 15% ahead of the 47th summit held in Cornwall.

July – Kim Leadbeater won the Batley and Spen by-election for Labour with a reduced majority of 323 votes. The election was marred by accusations of campaigners stoking racial tensions. Jonathan Bartley stood down as leader of the Green Party of England and Wales.

August – After months of negotiations, the SNP and the Scottish Greens signed a power-sharing agreement after the former failed to secure a Holyrood majority. Green Party co-leaders Patrick Harvie and Lorna Slater were appointed government ministers as part of the agreement.

September – Boris Johnson carried out his second major cabinet reshuffle. Gavin Williamson (Education), Robert Buckland (Justice) and Robert Jenrick (Housing, Communities and Local Government) all left the Government. Liz Truss replaced Dominic Raab as Foreign Secretary, Nadhim Zahawi was appointed Education Secretary and Anne-Marie Trevelyan went to International Trade. A new 'health and social care levy' is announced, funded by a 1.25% tax increase on earnings that will ultimately take the tax burden to its highest ever level in peacetime. Labour's conference in Brighton was marred by Andy McDonald's resignation as Shadow Secretary of State for Employment Rights and Protections.

October – Conservative MP for Southend West David Amess was murdered at a constituency surgery at a Methodist church in Leigh-on-Sea. A shocking moment of extreme brutality, parties from across political divides united in sorrow and condemnation. Claudia Webbe, the Labour MP for Leicester East was found guilty of harassment by Westminster Magistrates' Court and is subsequently expelled from the Party. Carla Denyer and Adrian Ramsay were elected leaders of the Green Party of England and Wales. The Chancellor Rishi Sunak unveiled his first Budget in which he could look forward to a post-Covid economy.

The 2021 United Nations Climate Change Conference (COP26) began in Glasgow.

November – Owen Paterson, Conservative MP for North Shropshire resigned following a report by the Parliamentary Commissioner for Standards that found that he had broken paid advocacy rules. Number 10 had previously sought to protect Paterson by instructing MPs to vote in favour of an amendment to delay his suspension, with 13 Conservative MPs voting against, and 97 absent or abstaining. Boris Johnson announced new Covid measures in response to the emergent Omicron variant.

December – Conservative Louie French won the Old Bexley and Sidcup by-election with a reduced majority. The Daily Mirror reports that a party took place in Downing Street during lockdown last December - Simon Case, the Cabinet Secretary was tasked with investigating. The PM's advisor Allegra Stratton resigned after footage was leaked showing her joking with colleagues about the party. Johnson faces the biggest Conservative rebellion of his premiership, as 99 Tory backbenchers vote against his vaccine passport plans - the Government carry the vote only with Labour support.

The Conservative Party

When Boris Johnson won his landmark election victory in 2019, nobody could have predicted that his record two years on would be almost entirely defined - for better and for worse - by the black swan event that is coronavirus.

For obvious reasons, 2021 began in stark contrast to the boom and bombast that followed the Conservative Party's 2019 election victory. Out were the jocular selfies of the Prime Minister offering thumbs-up selfies while declaring the year ahead would be a "great one"; in were the daily press briefings about infection rates, enforced closures of the hospitality sector and talk of furlough extensions.

The vaccination programme was, for the Conservatives, set to be a game changer – at least temporarily.

Early in February, the Health Secretary Matt Hancock confirmed the Government's "ambition" to offer all adults over the age of 50 a first COVID-19 vaccination by the end of May, a pledge which set the political tone for the first half of the year as the press excitedly reported on increasingly robust vaccination rates across the country.

May's local elections in England and Wales were a cause of considerable celebration in Conservative circles with the party recording an 8% increase in its vote share nationally at the same time as Labour suffered heavy losses across its former northern and Midlands bastions. In London, where the incumbent Mayor Sadiq Khan had been expected to cruise to victory, he was forced into a surprising run-off with Conservative candidate Shaun Bailey whose performance had been widely panned by even those in his own party.

The party's elation with the results of the local elections was added to by a stunning gain from Labour in a by-election in the "red wall" town of Hartlepool, where Conservative candidate Jill Mortimer won a majority of nearly 7,000 votes. In addition to this, the party secured its best ever results at the Welsh Parliament elections and held steady in Scotland, despite predictions that the SNP would sweep all before them.

Shortly after the party's local election and Hartlepool triumphs, the Conservatives were rocked by images of the Health Secretary Matt Hancock kissing a close aide in apparent contravention of coronavirus social distancing rules. While seen as an isolated incident at the time, Hancock's rule-breaking was to be the start of a number of damaging revelations about Conservative MPs, ministers and staffers overlooking regulations the public had, by and large, obeyed.

In early November, after the Parliamentary Commissioner for Standards judged that former Conservative Minister Owen Paterson breached Commons rules by seeking to further his busines interests and recommended a 30-day suspension, Tory MPs voted to postpone the decision and launch their own investigation. The public fury at this decision saw the party's standing in the polls plummet almost immediately; a situation that was compounded by further revelations surrounding lockdown-busting parties at 10 Downing Street last Christmas.

For the Conservatives, a toxic combination of perceptions of sleaze and anger at hypocrisy over coronavirus laws has seen the party's poll lead – which stood at close to 20% at moments earlier in the year – evaporate. The latest polls show Labour leading by as much as 9%.

Matters may yet become even more bleak for the Tories.

With just a handful of parliamentary sitting days left until the Christmas recess, the Prime Minister faces arguably his toughest challenge yet in pushing through a policy that is uncomfortable with his party and the wider public.

Political observers frequently say that the voters are turned off by divided parties, with media headlines about

splits and recriminations being viewed as a diversion from the imperatives of day-to-day governance. For that reason, the sight of 99 Conservative backbenchers filing through the aisles to vote against the government in opposition to the imposition of new coronavirus regulations will have considerable reverberations in the media. Embarrassingly for the Prime Minister, he has to rely on Labour MPs to carry the vote.

Away from coronavirus, there is a broader feeling emerging among Conservatives that the Prime Minister and his team – most notably, the Chancellor Rishi Sunak – have abandoned the party's cherished mantras on low taxation, keeping a check on public spending and shrinking the size of the state. While the generous cash grants handed out by the Chancellor at the height of the pandemic were largely accepted on the grounds of pragmatism, the decision to press ahead with a dramatic increase in National Insurance was viewed by most Conservative MPs with scepticism and some with outright fury.

Before he became leader, Boris Johnson had long enjoyed support from many on the Conservative Party's 'Thatcherite' wing for his strong stance in support of Britain leaving the European Union and numerous appeals to bread-and-butter Tory values via his weekly columns in the Daily Telegraph. This same group now has limited faith in the Prime Minister. Indeed, it is making tentative steps to reorganise itself and raise its voice in policy debates. In the coming weeks, the effective backbench campaigner Steve Baker MP is set to relaunch the right-leaning Conservative Way Forward group in an effort to push for a return to a low-tax, free-market agenda.

For all the highs it has brought him and his party in the polls, 2022 poses Boris Johnson with two key challenges: the spectre, for the first time in his political career, of deep personal unpopularity; and a challenge from a resurgent Labour Party.

The Prime Minister is known to be fond of Greek mythology and is a keen student of political history. He will no doubt have been electrified by the myth of Hercules and his seemingly impossible labours when delivering Brexit and a stunning electoral victory in 2019. In his mind, however, will also be the example of Oedipus; a dynamic and charismatic man who lost it all due to stubbornness, hubris and pride.

Before the year is out there's still a difficult by-election in North Shropshire to navigate, with the Lib Dems posing a real threat in this historically most blue of seats. Even if the Tories cling on this Thursday, as we enter 2022, the path ahead for both Boris Johnson and his party looks fraught with jeopardy.

The Labour Party

2021 has been a game of two halves for Labour. Keir Starmer started the year still struggling to cut through in a political environment dominated by the battle against Covid and the success of the vaccine rollout.

The plethora of local and devolved elections in May provided a test for Starmer but failed to deliver a conclusive answer. The results were mixed with Labour making slight gains in the south but failing to breakthrough in the northern and non-metropolitan areas (not to mention Scotland) where they need to make progress to have any chance of winning the next General Election.

The fallout from this was an unedifying briefing battle between the teams around Starmer and Deputy Leader Angela Rayner, with a suggestion that Rayner was going to be demoted. She fought her corner hard enough to stay put – indeed ending up with an embarrassment of job titles. Starmer did however lose his PPS, the redoubtable Carolyn Harris. Recognising that something had to change, the departure and sideways moves of a number of his staff followed soon after.

This gave Starmer the space to make some big name (in Labour circles, anyway) appointments, with Deborah Mattison taking over as Director of Strategy, Sam White (long-time advisor to Alistair Darling) as Head of the Leader's Office and Matthew Doyle as Director of Communications. These are people with previous experience of government, firmly from the Blair and Brown era.

This was the team that took Starmer to his first proper Labour conference, with the 2020 event cancelled due to Covid. The stakes could not have been higher, but expectations were well managed. Meaning when he delivered his speech, it went down exceptionally well with the party faithful, except for the most loyal Corbynite rump.

Perhaps unsurprisingly, having enlisted the help of Blair's speechwriter Phillip Collins, this was a speech in which Starmer told us who he is and what drives him. And it was a speech which acknowledged the social and economic

challenges of today and the future, arguably taking Labour back to a position of talking about what the voters care about. The test, as we move closer to the next election, will be setting out the policies which address those challenges, but this was a sea change in tone and approach.

Starmer's final move in a year of change for the party was a reshuffle at the end of November which, whilst not totally unexpected, seemed to take his MPs by surprise. This was partly about bringing forward talent to be election ready and partly about sending a message to the country that Labour has changed by bringing back big hitters such as Yvette Cooper who did not serve under Jeremy Corbyn. This adds to the key appointment of Rachel Reeves who took over as Shadow Chancellor in May and is considered to have performed well in the role since.

The reshuffle winners were Wes Streeting, taking the Health role, Bridget Phillipson at Education, and Lisa Nandy moving to a more politically focused role in the Levelling Up brief. There was also a key job for Jonathan Reynolds taking the business brief from his former boss Ed Miliband, who remains Labour's lead on Net Zero and Climate, and a well-deserved promotion for Pat McFadden in the Treasury team.

Starmer is rumoured to have promoted those he thinks are future party leaders in a sign of long-term thinking which could be interpreted as a leader comfortable in his own position, or one who still sees winning the next election as difficult for Labour.

The promotion of Labour's best performers and some fresh voices to the roles which are the bread and butter of UK political discourse has the hallmarks of Starmer's new aides. The party still faces tests in the form of factional battles at constituency level and a tendency among some MPs and members to obsess over issues which, whilst important, are not what will win Labour the next election.

Labour has sought to address this by bringing forward a Future Candidates Programme, similar to attempts by the Conservatives over the last few elections to more closely control the selection of candidates.

For the first time in many years, Labour end the year on a positive note with Labour achieving a nine-point poll lead – its highest since 2014. Starmer will also be pleased with his own approval ratings which now give him a clear lead among the public on who would make the best Prime Minister. There is no doubt Labour have been the beneficiaries of a series of missteps by Johnson in the last couple of months of 2021. It lays the ground for a very interesting 2022 in UK politics.

The Liberal Democrats

For the Liberal Democrats, 2021 was a year of low expectations and offered few chances to dance in the spotlight of national attention. Still on the mend following the 2019 election bruising, in 2021 the Lib Dems have struggled to reach double figures in the polls and up to September had seen a 27% fall in membership. In the Holyrood and Senedd elections in May, the party received disappointing results with its number of MSPs in the Scottish Parliament reduced from five to four, and in the Senedd face near wipe out, with Jane Dodds sitting as their sole representative at Cardiff Bay.

Under leader Ed Davey, the Lib Dems have been working hard to convert their 'anti-Brexit' mould into a broader 'anti-Conservative' option, as the main opponent in the so-called 'Blue Wall' of typically affluent, southern, Conservative seats. During their party conference, Davey criticised Boris Johnson for reshaping the Conservative Party to match his own "ugly" values and repeatedly emphasised what he said was the vulnerability of Conservative seats in the Blue Wall.

The highlight of the year for the party was their stunning victory in the Amersham and Chesham by-election, where Sarah Green overturned a Conservative majority of 16,223 votes. The party were triumphant, cuing memories of Davey hitting blue blocks with a toy orange hammer. However, the extent this result reflects a change in national trends remains to be seen, given the campaign's focus on local issues and the poor performances in other by-elections this year.

A further Lib Dem by-election upset in North Shropshire on Thursday will add some real proof that in specific, Conservative seats, the Lib Dems could stand a chance. However, the party still needs to re-double its efforts to deliver a new portfolio of distinctive policies.

In positioning themselves as a protest vote against the Conservatives, the Lib Dems are relying on a tried and tested method of winning support. However, whilst positioning as a protest party may deliver short-term gains, if the party is to consolidate and climb back up the ladder of political relevance, in 2022 it will need to work hard to create a distinct platform that makes it easy for voters to understand just what on earth the Lib Dems stand for.

Other Parties

SNP

The SNP began 2021 with what many assumed would be a challenging year. The scandals surrounding First Minister Nicola Sturgeon's conduct over the allegations brought against Alex Salmond put her in what many thought might be a dangerous position. An inquiry and defections to Salmond's Alba Party suggested that the SNP were going into May's elections with a lot to worry about.

But Alba's joint threat of drawing votes away from the SNP and/or allowing Salmond to become the dealbreaker in Holyrood never materialised, and the SNP made it out the other side, albeit one short of an overall majority. Having diverted attention away from independence in the nervous weeks prior to the election, Sturgeon and the party used the result to refocus on their overarching policy objective of independence. However, that would have been an easier case to make has the SNP won a majority outright.

The SNP looked to the Green Party for support at Holyrood, forming a 'Government Cooperation Agreement' that commits to hold another referendum within the next five years, with a preference for the end of 2023.

As we enter 2022, the SNP will have to tackle several issues if it wishes to proceed with a referendum so soon, including obtaining legal approval from Westminster. The second issue facing the SNP is how it justifies the need for independence during a campaign. The party itself lambasted Brexit, citing economic disruption. The SNP may struggle to argue that leaving the UK – an economic, cultural, and political Union of roughly 400 years – will be more seamless than leaving one of 40 years.

In any case, what will remain a constant is questions over the SNP's record on health, drugs, education, and social mobility, and the party's ability to attribute blame to the Westminster system rather than itself. In this context – and one of increasing discord in the governing Conservatives – the party's support is unlikely to buckle.

DUP

2021 has seen its share of political controversy, with perhaps the greatest being visited upon the most tumultuous part of the UK. The Northern Ireland Protocol and continued nationalist/unionist tension has now seen the Democratic Unionist Party endure three leaders in six months.

In April 2021, leader and First Minister Arlene Foster announced her resignation after an internal revolt saw 22 MLAs and four MPs express no-confidence in her leadership. Foster had angered the party over her support of Boris Johnson's Trade and Cooperation Agreement with the EU – establishing the Northern Ireland Protocol – and, remarkably, her abstention on a vote on gay conversion therapy. With such levels of opposition, Foster's position was untenable.

The leadership contest saw a runoff between hard-liner Edwin Poots MLA and the more moderate Sir Jeffrey Donaldson MP, with the former gaining a shock victory. Almost immediately, Poots' attempt to separate the role of First Minister and leader of the party – thus distancing the DUP from the often compromising decisions in the Executive with Sinn Féin – caused yet more internal discord. The final straw came as Poots agreed to implement Irish Language legislation under the New Decade, New Approach deal, which many in the Party saw as a further capitulation to Sinn Féin. After proceeding to nominate Paul Givan MLA as First Minister and with the threat of a no-confidence vote looming, Poots resigned after three weeks as leader.

Sir Jeffrey Donaldson replaced Poots, uncontested, in June 2021. Yet Sir Jeffrey has encountered the same problems that the DUP faced in the immediate aftermath of the 2019 General Election: how to get rid of the Protocol with little leverage in Westminster. The answer risks plunging Northern Ireland into another political crisis, with Sir Jeffrey consistently threatening to pull DUP participation in the Executive, thus collapsing the Government.

This nuclear option remains a monumental gamble for the DUP. With Assembly elections in May 2022, continued struggles with the pandemic, Protocol, and an ever-changing demography that is both progressive and not necessarily fused to ideological unionist thinking, the stability of the UK's most divided region remains fragile. In a year of critical importance for unionism in Northern Ireland, the DUPs internal strife may come back to haunt it yet again.

Plaid Cymru

Cooperation Agreements following the May 6 elections in 2021 were not limited to Scotland's new government, as Welsh Labour turned to Plaid Cymru for support in forming their own agreement.

Earlier in the year, Plaid leader Adam Price had suggested that the party would not be a junior party to a Labour government, however, following the election in which Plaid gained one seat but failed to win several of its targets, Price reneged on his original position and agreed a Cooperation Agreement lasting three years.

Agreeing to work on several policy areas from free school meals to Welsh language issues, the party viewed its involvement in government as confirmation that Wales was an "indy-curious nation." Nonetheless, the party's support remains at relatively low levels, concentrated in the north west – west of Wales. Additionally, the strong performance of the Welsh Conservatives (their best result since the first Senedd election in 1999) suggests that the prospect of Welsh independence is a distant one.

Covid-19 and Health

The UK entered 2021 in lockdown but with hope; the combination of a fledging vaccine rollout, rapid testing and therapeutic drugs genuinely offered the country a way out of the pandemic. The sacrifices the UK public had made during the national lockdowns for much of the previous year, and for nearly half of this year, had made and continue to make a real impact on controlling the spread of COVID-19. In January, it was the Delta variant ripping through the country. By December, the latest variant – Omicron – had entered the country, and it had registered its first death as the latest variant threatened our way of life and our Christmases once again.

For all of the success of the vaccines that the UK life sciences sector, academic institutions and scientists discovered, developed and help to deliver to a grateful nation, the UK has had a mixed record when it comes to the pandemic whether measured against mortality, economics or social protection.

The UK entered the pandemic ranked second in the world to only the US in its supposed pandemic response and resilience plans; yet when the much-anticipated pandemic arrived, decision-making was slow and confused, the healthcare system was deemed so necessary to protect precisely because it was so ill-prepared and new external structures were established at scale and at expense that were fundamentally flawed, ineffective and in parts counter-productive in the fight against the virus's spread.

The NHS, already understaffed and with below average funding rises for much of the past decade, has seen waiting lists creep up to nearly six million over the preceding 18 months. The consequences of continued delayed care will see challenges continuing well beyond Covid and the social care system is in dire need of radical reform. Although more funding has been allocated to social care, it has not been without its controversy, as witnessed through the Health and Social Care Bill's passage through Parliament, and further increases are both likely and required to prevent avoidable morbidity and mortality.

The pandemic has also brought starkly to light the UK's health inequalities, with women, young adults and in particular ethnic minorities having disproportionally borne the brunt of the pandemic. Young adults, particularly those from poorer social economic backgrounds, may face a generational struggle to make up for lost opportunities as part of the measures deployed to combat COVID-19. Although state intervention, through the myriad of schemes used to subside vast swathes of the economy through the furlough scheme, has warded off the worse aspects of economic strife and increased prospects for a rapid economic recovery, many will continue to feel the effects of both health and economic insecurities for many years to come.

These complex and inter-related issues mostly stem from the pandemic, but some are also clearly legacy issues facing a creaking health and care system. They will require long-term, strategic and radical responses to tackle the health outcomes of the pandemic. Health policy will need to shift from reactive to the whim of a virus we are still learning to live with and control, to proactive preparedness for future threats and acting rapidly and decisively when they arise to better safeguard the health of the UK public.

Amidst all this, the Government has prioritised the Health and Social Care Bill as its flagship domestic health agenda. The Bill quite rightly enshrines into statute much of what NHS England, and Sir Simon Stevens, its former Chief Executive, was actively trying to achieve without legislation following the publication of its 2014 Five Year View. In reality, much of the Bill rows back on Andrew Lansley's 2012 Health and Social Care Act, deprioritises the internal market and finally puts onto formal standing 42 Integrated Care Systems. 'Integration' is the new competition in the emerging healthcare governance landscape, which, health officials hope, will bring greater collaboration in and between locales and help to break down the historic siloes and barriers which have held back the provision of effective healthcare.

The most arresting aspect of the Bill is the supposed 'Henry VIII' powers it bequeaths to the Secretary of State, including authority to intervene in local decision-making and appointments. The Labour Party is focusing its ire on how the Bill will allow private organisations to join local Integrated Health Boards. Given the Government's parliamentary majority, the Bill will achieve Royal Assent in the New Year in time for April 2022 when Integrated Care Systems are scheduled to take over from Clinical Commissioning Groups. The Government, for its part, will hope that the Bill receives a fraction of the attention the contentious 2012 Act did, and that it will learn many of the early lessons of the pandemic and future proof the governance of the NHS.

One conclusion is clear, though, from 2021 – that the NHS has already achieved, and is achieving, extraordinary feats that it wants to preserve going forward. As Omicron spreads through the country at an alarming rate, the Government has once again called upon the NHS to deliver a million booster jabs by the end of the year to head off the dual effects of a rampant virus and the traditional winter pressures it seasonally faces. Given the scale of the challenge that continues to face the UK and the NHS, the former will hope that the latter continues to deliver holistic, equitable, and sustainable healthcare both now and in the future.

Fiscal Policy and the Overall Economic Climate

2021 was another tempestuous year for the public finances. As Covid hit longer and harder than anyone was expecting, the Chancellor was forced into unprecedented levels of peacetime spending – which will ultimately have to be paid for. But there is consensus that there was no realistic alternative, and that measures to support jobs and businesses, most notably the furlough scheme, generally did their bit in preventing the economic effects of Covid being significantly worse.

This was another two-Budget year, with the first taking place in March and the second, combined with a Spending Review, presented at the end of October. The March Budget was presented as setting out the path to recovery, with a tripartite approach comprising more business support measures, plans to drive an investment-led recovery, and plans for future fiscal consolidation. Furlough was extended, the total package of Covid support measures hit the £400 billion mark, freeports and super-deduction were introduced, and plans were made to increase the rate of Corporation Tax to 25% in 2023, albeit with tapers. It was a bravura performance by the Chancellor, who managed to muffle grumbles from the Right about tax rises and strengthen the perception of himself as the most grown-up person in the room.

March feels a long time ago, but such is the fast pace of politics at the moment that so does the October Budget. There, Sunak heralded a "new age of optimism". Buoyed by better-than-expected growth forecasts and a faster-than-expected vaccine rollout earlier in the year, he set out to offer something for every wing of the Conservative Party: increased departmental funding all round, but also an ambitious plan to return the budget to surplus by the end of this Parliament. But the big decisions on tax were deferred – perhaps sensibly, given subsequent developments – and the only major announcements were tweaks to business rates, reforms to alcohol duty, and cutting the Universal Credit taper rate to 55p from 63p on the pound. Bigger tax changes are expected to be presented next Spring, in line with the Chancellor's desire to move to a single-year system of tax changes.

At the time, there was certainly cause for cautious optimism, with a significant upgrade of growth figures for this year of 6.5%, up from the 4% forecast last March, and a downwards revision to the scarring effect of Covid from 3% to 2% of GDP, unlocking another £10 billion a year for the Chancellor. This, combined with residual vaccine positivity, allowed the Chancellor to strike a relatively upbeat tone. The only cloud on the horizon was the threat of inflation and a rise in interest rates – which, in one sense, was helpful to a Chancellor trying to make the case for deficit and debt reduction, not that this would matter much were he to have a cost-of-living crisis on his hands. So far, however, the evidence suggests the Bank of England is playing things very cautiously.

It would be unfair to claim that the spread of the Omicron variant changes everything. With vaccines in place, the fundamentals of Covid are now different. Yet if business restrictions are going to be reintroduced, this will create enormous pressure for the simultaneous reintroduction of business support measures – on the basis that anything else would undo the good work of the past 20 months. That will cost money, although nowhere near as much as for previous outbreaks.

Ultimately, the Chancellor is still seen as having had a good war. But political gilt can tarnish easily. Should growth be

lower than expected, or should there be new and unforeseen spending commitments, he will either have to rethink his deficit-reduction strategy or seek new ways to gain money through taxes. Increases in the cost of living mean that there is already less money in people's pockets, which will only be exacerbated by freezes in the income tax thresholds. Meanwhile the free market right of the party has found its voice: Sunak's policies as much as his leading position as successor to Boris Johnson make him a prime target.

It's been a while since macroeconomic policy has been a key battleground within the Government. Might 2022 be the year that argument returns?

Energy

Energy has remained high on the agenda this year, with businesses keen to burnish their net zero credentials in the run up to COP26, and the Government wanting to demonstrate its world leading role in decarbonisation. Consequently, the run up to COP26 has seen a catalogue of government strategies and policies cumulating in the Net Zero Strategy.

First, over the Summer, the Government published the UK Hydrogen Strategy which set out the ambition of securing £4 billion of investment in technology and the hope of securing 5GW of homegrown low-carbon hydrogen production by 2030. Government also began consulting on future business models to help support this industry. However, there are still some big question marks over hydrogen with this Autumn's Heat and Building Strategy disappointing many commentators by deferring a decision on the role of hydrogen in home heating to 2026.

Conversely, the Heat and Buildings Strategy did set out an ambition to support the rollout of heat pumps, including the provision of a new £450 million three-year Boiler Upgrade Scheme that will make grants of £5,000 available from April next year to encourage homeowners to install more efficient, low-carbon heating systems. The hope is that this will help counter the high installation costs of heat pumps. To tackle the other challenge of heat pumps – the high running costs – the Government has also committed to a run a Fairness and Affordability Call for Evidence next year on the options for energy levies and obligations to rebalance gas and electricity prices. However, there is still a lot of work to be done to ensure that the electricity network is able to withstand the mass rollout of heat pumps as well as the huge increase in electricity demand we will see from electric vehicles.

This is doubly important given the intention to fully decarbonise the electricity system by 2035. Bringing the low-carbon generation online to meet this ambitious target, whilst maintaining a secure and reliable electricity system is going to be a real challenge. The Government hopes that the new Future System Operator, an evolution of the current system operator owned and managed by National Grid, is able to take a more active role in planning the future energy system and will help meet this challenge. There are also lingering questions over what model this powerful new body will take, with the Government making clear that they do not believe it can remain in National Grid's ownership.

However, following a generally well received COP and a year of positive signals on net zero, the Government faced some major challenges in the latter half of the year. In particular, it had to contend with the huge spike in wholesale gas prices after a global bounce back in demand after the pandemic.

This has led to calls for support from heavy industry and large energy users who make the point that even without this cost, they already face some of the highest energy costs in Europe. Whilst the domestic retail supply market has stuttered with the failure of a record number of energy suppliers failing this year, with 20 being forced out of business since the beginning of August impacting over two million households.

The culmination of this was the failure of Bulb Energy in November, once heralded as Britain's fastest growing company, and one of its most innovative. The size of the company, with 1.7 million customers, forced Ofgem to utilise its Special Administration Regime, never used before, that means the company will be run by administrators on behalf of the Government until it is sold, restructured, or its customers are transferred to other suppliers, with the taxpayer footing the bill for this process which is expected to run into hundreds of millions of pounds.

With more failures expected this Winter, critics have their sights firmly set on government and the regulator for a perceived failure in the oversight of these companies with Citizens Advice having just published a scathing review of the regulator's performance, and the BEIS Select Committee setting up an inquiry into energy pricing and the future of the energy market. Both government and the

regulator will be extremely concerned going into the new year, in which they expect consumer bills to continue rising.

The Environment

The biggest milestone for the Government this year was the passing of the Environment Act, first introduced to Parliament in January 2020. The Act sets out a number of targets, plans and policies for the natural environment, and importantly provides the basis for the new independent environmental regulator, the Office for Environmental Protection, to operate.

However, getting the piece of legislation passed was far from easy for government. Over the Autumn it faced a barrage of amendments from Peers in the House of Lords, in particular over untreated sewage from storm overflows with an amendment added that would require sewage undertakers to "take all reasonable steps" to ensure that such discharges do not occur. Whilst this was not approved, a compromise was reached requiring sewerage undertakers to ensure "progressive reduction" along with additional monitoring and reporting undertakers.

A separate amendment was also introduced by the House of Lords that related to single-use plastics and the regulations mandating sellers of single-use items to charge consumers for each item sold. Originally this provision was just intended to cover single-use plastic items only but was extended to "any single use items supplied in connection with goods or services" and therefore any single-use material. This addition could have potentially far-reaching impacts for industry whose producer responsibility obligations are likely to be significantly increased as a result of the new powers.

However, going into next year, the key question will be what role the Office for Environmental Protection will play, and the outcome of Ofwat's recently launched investigation into water companies after they admitted they may have illegally released untreated sewage into rivers and waterways.

ESG and Corporate Sustainability

The UK-hosted 26th UN Climate Change Conference of the Parties (COP26) in Glasgow was certainly one of the highlights of the global corporate calendar. COP26 has captured attention in the media and in boardrooms globally. The conference featured unprecedented participation by business both at the event itself and in terms of environmental commitments made on the sidelines. The headline number was the Mark Carney-led Glasgow Financial Alliance for Net Zero (GFANZ) securing $130 trillion of private capital that will be aligned to hitting net zero emissions targets by 2050. More than 450 banks, insurers and asset managers (or 40% of the global financial system) have signed up to GFANZ since its launch in April 2021, with signatories committing to use science-based guidelines to themselves reach net zero carbon emissions by 2050, and to provide 2030 interim goals.

While much of the media concentrated on the reluctance with which China and India were willing to accept consensus on the implementation of global carbon pricing (among other challenges), COP26 has resulted in some significant international commitments.

In one of the first major announcements, over 100 countries signed up to a pledge to cut methane emissions by 30% by 2030. While the oil and gas sector can substantially cut their methane emissions by addressing leaks, agricultural emissions present a greater challenge. The US Environmental Protection Agency announced rules that would force the oil and gas sector to monitor and fix any methane leaks, along with a new programme for farmers to capture and sell methane. While major emitters Russia, China and India are not on board, the US move will likely put pressure on other countries to follow suit in the short to medium term.

More than 40 countries have agreed to phase out their use of coal-fired power, with major countries including Canada, Poland, Ukraine and Vietnam signing the pledge. The initiative will see countries commit to ending coal power generation in the 2030s for major economies and the 2040s for the rest of the world. This pledge follows the announcement from the G20 leaders in Rome to end international financing of coal and the COP26 pledge is likely to increase calls for specific financial arrangements on how they would support emerging economies on the transition away from coal, alongside concrete action on their own domestic use of coal.

Another significant COP26 moment came as 100 world leaders pledged to ban deforestation by 2030 in order to safeguard atmospheric carbon removal via a nature-based solution and prevent damaging land use change. A group of 12 developed countries, including the UK, France, Germany, the US, and Canada, have committed $12 billion over the next five years for schemes that tackle

deforestation. 30 financial institutions have also agreed to remove deforestation from their portfolios by 2025.

For many clients, however, this year's top ESG story is likely to be the announcement by IFRS Foundation, launching the International Sustainability Standards Board (ISSB) to create a single set of standards "to meet investors' information needs". The new body will integrate the Climate Disclosure Standards Board (CDSB) which oversees CDP, and the Value Reporting Foundation (VRF), set up following the merger of SASB and the integrated reporting framework. This is a significant step in continued international efforts to consolidate ESG reporting methodologies and bodies, giving both investors and businesses much needed consistency in reporting non-financial performance. While a potentially pivotal moment in providing consistent and comparable information to capital markets, certain questions remain, such as how the standards will be adopted at national level; their role set against existing IFRS standards; and how they will interplay with the EU's impending Corporate Sustainability Reporting Directive.

Post-Brexit Relations with the EU

As the clock ticked down to 1st January 2021, mere hours before the transition period was due to end, the EU and the UK finally signed the Trade and Cooperation Agreement (TCA), the longed-for deal to prevent a cliff-edge Brexit. For both parties, the urgency to reach a deal on their future relationship had been palpable. But not at any cost.

In London, Downing Street had stuck rigidly to the line that the UK was ready and willing to trade with the EU on 'WTO terms' and that no trade deal was preferable to a disadvantageous one. For its part, the EU refused to budge on the fundamental need for a 'level playing field' to protect European interests from a UK newly free to diverge from its rulebook. In the end, compromise was found as the clock ticked down towards midnight. The question was, was this a deal that would stick?

The deal was predominantly – though not exclusively – one concerned with the movement of physical goods across the new EU-UK border. Most importantly, it established a zero-tariff, zero-quota regime on imports, plus customs procedures and mechanisms for the minimisation of technical barriers to trade. For most businesses operating across the border, it was greeted with enormous relief, promising a trading environment far more palatable to a 'no-deal' scenario, even if it was not business as usual.

The EU in particular had been unequivocable in demanding transparency on subsidies, labour protections and production standards to ensure the UK could not undercut European competitors by rolling back on regulation. As the UK insisted it could not be so bound in perpetuity, a rebalancing mechanism was agreed that allows either party to impose tariffs or other necessary measures in future if regulatory divergence creates a market imbalance. What this means is that the negotiations didn't end here, they just entered a new and perpetual phase.

This became most evident in relation to fishing, an industry so totemic that any rational approach to resolving disputes is immediately thrown out of the window. Since the Summer, the UK has stood accused of withholding French fishing licences as a lever to extract concessions on issues elsewhere, be that the migrant crisis or the Northern Irish border. With an EU refusing to horse-trade, relations between Downing Street and the Élysée Palace had reached a new nadir by the Autumn.

Part of the problem for the UK is that the TCA is as significant for what it doesn't include as for what it does. It is evidently spartan regarding services, a key component of the economy given the importance of the City of London. Elsewhere, regimes covering issues such as data protection and sanitary and phytosanitary controls suddenly treated the UK as a third country and subject to post-TCA equivalence decisions – some of which have followed, many of which have not. And issues such as foreign policy, external security and defence cooperation featured nowhere. All told, this has generated headaches across Whitehall for officials more interested in practicalities than politics.

Which brings us to what remains the most fundamental of all challenges: how to make the unique position of Northern Ireland work for all parties. The intractable stances of the negotiating parties are essentially unmoved since Boris Johnson entered Downing Street. How to square three equally inviolable, but overtly contradictory principles; the integrity of the EU Single Market, the Good Friday Agreement obligations to keeping the island of Ireland free of border controls, and the avoidance of a border in the Irish Sea?

For a few short weeks in December 2020, the EU thought they had a solution in the form of the Northern Ireland Protocol. However, the UK's lacklustre commitment to the principles of that agreement quickly became evident.

The Protocol was simple in theory. Goods arriving in Northern Ireland from the rest of the UK would be cleared through customs at ports of entry, allowing for movement into the EU. Critically, sole responsibility for application and implementation was handed to UK authorities. To protect UK interests, the Protocol was accompanied by an overly optimistic assessment that technology would soon provide a cloak of efficiency to mask the operation of this problematic new internal border.

UK negotiators crossed their fingers and hoped that a solution would appear during the three-month grace period before implementation was supposed to kick in on 1 April. As it transpired, it did not. When the grace period ended, Downing Street threatened to reapply them unilaterally, much to the consternation of Brussels, who accused the UK of reneging on treaty obligations.

In July, stakes were raised still further when Downing Street put forward a paper proposing re-negotiations to radically change the way the Protocol operates. Dangling a proverbial sword of Damocles, the government accompanied this with detail on the tests it would apply to determine whether it would trigger Article 16, the part of the Protocol that allows the rules to be unilaterally set aside if they are severely impacting everyday life. The message from London was clear: compromise or we'll collapse the deal.

Those "negotiations" are ongoing without much fruit having been born. Brexit Minister Lord Frost insists Article 16 remains a valid option, while officials on both sides say they will keep talking – though to what end is unclear. Ireland's foreign minister Simon Coveney insisted only two weeks ago that a deal on Northern Ireland might be reached by Christmas. Few agreed with his optimism then, even fewer would do so today.

For its part, Brussels has proposed plans to reduce bureaucracy and checks. In return it wants more safeguards and access to UK data showing real-time trade flows. Neither looks acceptable from the view of London and we should expect Downing Street to continue to drag its feet; the reality is that the current status quo suits the UK better. Controls in the Irish Sea remain minimal, suiting the domestic narrative.

But the threat of Article 16 is only valuable to the UK for as long as it isn't used. And left to stagnate, Northern Ireland is an issue that will continue to pollute UK-EU relations at every level. From the vantage point of now, next year doesn't seem to promise much in the way of great minds coming together.

Levelling Up

It is exactly two years on from the last General Election, where the promise to address regional inequality by 'levelling up' the country was first introduced. Since then, much has been said and done to make it more than just a political catchphrase. Today, it is the Government's flagship domestic agenda, and has become embedded in the everyday political discourse, policies and actions of this government.

Over the past year, there have been a number of significant political movements and major announcements to help deliver upon this commitment. Back in March, the Chancellor Rishi Sunak announced a number of major funds to help kickstart the levelling up process, including £220 million towards the UK Community Renewable Fund, and £150 million for the Community Ownership Fund. He also introduced the Levelling Up Fund. This will invest £4.8 billion to help improve everyday life infrastructure, such as town centres, high street regeneration and cultural assets. These funds build on previous efforts to help level up through the £830 million set aside to boost high streets, and the £3.6 billion put forward for over 100 local places through the Towns Fund.

In September, the Government's reshuffle saw a number of political changes in Westminster. First, the creation of the new 'super-ministry,' the Department for Levelling Up, Housing and Communities (DLUHC). And second, the introduction of new leaders to drive the agenda, including the appointment of Michael Gove as the new Secretary of State to lead the new department and the Government's flagship mission. It also included the promotion of the Prime Minister's old Levelling-Up Advisor Neil O'Brien to Minister for Levelling Up, and the naming of Andy Haldane, former Bank of England Chief Economist, as the new Head of the Levelling Up Taskforce. This all signalled a clear political commitment on the Government's behalf to advance the levelling up agenda.

In October, Gove gave his first speech as the new Secretary of State for DLUHC at the Conservative Party Conference. There he provided some much-needed direction on what 'levelling up' would mean. He set out four objectives; strengthen local leaders and communities, raise living standards, improve public services, and restore local

pride. But it still lacked detail; a key feature which has long plagued this agenda.

A few weeks later, the Chancellor's Autumn Budget and Spending Review announced a significant cash boost for the agenda, including £560 million funding for up to 300 youth centres, £200 million to build and transform 8,000 state-of-the-art football pitches across the UK, fund new 'pocket parks' in 100 areas of derelict land, and £800 million was signposted to protect museums, galleries libraries and local culture.

The allocations of the first round of bids for the Levelling Up Fund were also announced. This included a £1.7 billion investment in everyday life infrastructure in over 100 local areas, such as Aberdeen, Bury, Burnley, Clywd South and Stoke-on-Trent.

In November, the Labour frontbench also had a shakeup. Keir Starmer's reshuffle saw the appointment of a new Shadow Secretary of State for Levelling Up, Housing and Communities, Lisa Nandy. This is a significant move. Nandy has long been a champion for forgotten towns, and like Gove, is one of very few politicians who actually understands the agenda.

It is clear that levelling up will be the key political battleground between the Conservatives and Labour ahead of the next General Election. The Conservatives are currently positioned to monopolise the policy debate. We are already seeing this with significant sums being ploughed into newly won 'Red Wall' seats, as well as Conservative-friendly constituencies. But questions still remain on what 'levelling up' truly means and how it will be delivered.

With the Government roughly halfway through this Parliament, there is an urgent need to deliver and demonstrate progress on such a vast agenda by the end of the parliamentary calendar. It remains to be seen if this is truly viable within that timeframe. All eyes are currently on the upcoming Levelling Up White Paper to provide this much-needed clarity. There have already been leaked snippets of what it could include. For example, the radical alteration of the local government structure in England, replacing it with a single-tier, mayoral style system, and the introduction of 'governors.' We will have to wait until the new year for this, and the next General Election as judgement for these efforts.

Devolution and the Union

After a run of poll leads for "Yes" throughout 2020, support for Scottish independence receded in 2021. Of the 52 polls conducted this year so far, "Yes" led in just 18 (34.6%). By comparison, in the 23 polls conducted in 2020, "Yes" led in 20 (86.9%). Since the Scottish Parliament elections in May, "No" has maintained a comfortable lead in 11 of 14 polls, with the "Yes" side struggling to break past 45%, close to the vote share it achieved in the 2014 referendum.

These results reflect a Scotland which remains deeply divided on the future of the union. While the First Minister Nicola Sturgeon had a relatively successful start to the pandemic and reinforced her image as a safe and competent pair of hands, she was unable to leverage this into a majority for her party at the Scottish Parliament elections in May. While the SNP saw a slight uptick in its constituency vote at the election, a corresponding drop in the regional vote and a successful tactical voting campaign by unionists left the makeup of the 6th Scottish Parliament looking very similar to the 5th.

While Scottish Labour and the Scottish Liberal Democrats received their worst ever results at a Holyrood election and the Scottish Conservatives failed to build on their 2016 result, the outcome of the election was perhaps most disappointing for the SNP. Having pinned her ambitions for a second independence referendum on securing a majority, the First Minister came up empty handed. As a legal referendum cannot be held without the consent of the UK Government, the SNP needed to secure a majority at this election to demonstrate that it had enough public support for a vote. It failed to do so and the appetite in Westminster to revisit the issue remains low.

The real winners of the night were the Scottish Green Party, who achieved their best ever result. The First Minister now finds herself dependent on the support of the Greens in the Scottish Parliament and in August formalised a power-sharing agreement which included appointing the party's co-leaders Patrick Harvie and Lorna Slater as Ministers in her third government.

While both parties are socially progressive and supportive of an independent Scotland, there are points of policy difference which have already proven challenging for the First Minister. In November, against the backdrop of COP26 and facing pressure from her new partners in government, Sturgeon made a controversial change to her position on the Cambo oilfield, moving from qualified support for further exploitation to outright opposition and a new call

to "accelerate the progress away from fossil fuels". The move won Sturgeon favour among the Greens but was controversial within the SNP, forcing rare denials of a split within the party. Projected future oil and gas revenues have long been central to the SNP's economic case for independence and it remains to be seen how this shift in policy will be reconciled with the party's ambitions.

Heading into Christmas, the First Minister faces the twin crises of rising COVID-19 cases and a backlash over last week's Scottish Budget. COSLA, the body representing local authorities in Scotland, has warned that the funding settlement for councils in the Budget represented a £100 million cut, leaving services in a "precarious position" and leaving the door open to council tax hikes. While income tax rates were frozen in the Budget, the existing rates remain higher for many taxpayers than elsewhere in the UK.

After seven years in Bute House, and almost fifteen years in government, the First Minister is an experienced operator and is not to be underestimated. No obvious challenge to her leadership exists and her position is relatively secure. But facing few legal avenues to pursue her party's cause of independence, serious questions as to what the future of Scotland's economy and public finances looks like, and the fallout of the ongoing Covid pandemic, many will be wondering if Nicola Sturgeon is running out of road.

Financial Services

The start of 2021 saw financial services in the UK enter unchartered waters. The Brexit transition period had ended, but financial services were without a trade deal, leaving equivalence the only route for cross-border activity. Over the course of 2021 the Government would focus on growth and the UK's pre-eminence as a centre for financial services in a post-Brexit world. We would see the first steps in divergence from the EU in financial services regulation, proposed changes to the financial services regulatory framework, the Kalifa FinTech review and the Hill listings review, and a drive forward in sustainable finance spurred on by the UK hosting of COP26.

As regulatory divergence became a possibility, the first moves happened. However, this is not about moving away from high regulatory standards. Divergence, for the UK, is about the ability to create a more attractive and more effective regulatory framework for financial services, protecting and growing the sector. More effective, for example, by not requiring UCITS funds to provide a PRIIPs Key Information Document (KID) – or more proportionate – for example through the review of Solvency II. For firms operating across borders, divergence has meant the need to track regulatory developments in both jurisdictions, a need which is set to continue.

The Government's relentless focus on growth saw the publication of two key government-commissioned reviews which would shape regulatory developments for the rest of the year. The UK currently represents 10% of the global FinTech market share. The Kalifa review, published in February, outlined a strategy and delivery model for maintaining this leadership in FinTech. It recommended amending listings rules to make the UK more attractive for IPOs, improvements to tech visas, a regulatory 'FinTech scalebox', creating a Centre for Finance, Innovation and Technology (CFIT), developing a digital ID framework, a Central Bank Digital Currency, and introducing a UK regime for the regulation of cryptoassets. The easier elements of these have already been taken forward, but the more challenging recommendations, including those around CBDC and cryptoasset regulation are moving at a slower pace.

In March, the Hill listings review was published. It was commissioned to examine how the UK could increase its global competitiveness and become the world's leading destination for equity capital. The Chancellor was keen to move quickly on the recommendations, hoping to booster the attractiveness of the UK stock market. By the end of the year, new rules were in place with the introduction of dual share classes, a reduction in the minimum free float and an increase in minimum market cap threshold, alongside earlier changes in Special Purpose Acquisition Companies regime. While the extent to which these changes will impact UK attractiveness for listings are yet to be seen, high profile IPO flops like Deliveroo in March are likely to continue to haunt the stock market.

In the run up to COP26, the UK Government committed the UK to a net zero economy by 2050, with the Chancellor continuing to drive this agenda, publishing the Greening Finance road map, setting out the Government's ambition to make the UK the centre for green and sustainable finance. As it is reliant on regulation, activity in sustainable finance was matched by corresponding activity by the regulators, with the FCA publishing consultations on disclosures labelling and sustainable finance and setting up their own ESG directorate.

Yet while growth is of utmost importance, government and regulators must always have regard to consumer protection. With high profile failures such as London Capital & Finance having reverberations in 2021, the continued issues of fraud, and the growth in currently unregulated areas such as Buy Now Pay Later, consumer protection is never far from a headline. On top of more usual consumer protection regulatory action, such as in general insurance pricing, the FCA's consultation on the new consumer duty, published in December and set to be in place by April 2023, may be a significant shift for firms.

Overarching these regulatory developments, the bigger question on how financial services regulation would be set remained. In November, the Government finally set out its proposed framework. It underlined its growth mindset with the introduction of secondary objectives on competitiveness and growth for regulators but also gives a bigger political voice including a new power for government to be able to require the regulators to review their rules where the government believes that it is in the public interest.

Looking forward to 2022, financial services will remain core to the Government's agenda. Without a strong sector, delivering wider growth, levelling up and COVID-19 recovery will not be possible. The Chancellor will be hoping that his focus over 2021 on FinTech, listings and sustainable finance will show returns in 2022, and ensure his vision of the UK as an open and global financial hub becomes a reality.

Foreign Policy and International Development

2021 was another important year for UK foreign policy, with the publication of the Integrated Review (IR) of Security, Defence, Development and Foreign Policy in March. This provides the framework for the UK's relations with the rest of the world post-Brexit. Although much of the policy detail is not yet forthcoming, the IR has set out a clear direction of travel.

2021 also saw a change in Foreign Secretary with Dominic Raab moved to the Ministry of Justice in the September 2021 reshuffle, to be replaced by Liz Truss. Raab attracted criticism following the Taliban takeover of Afghanistan and his departure was not unexpected. Whilst the Foreign Office bore the brunt of criticism in the UK, the crisis represented a failure of Western policy and was driven in large part by decisions in Washington DC.

The arrival of the business-friendly Truss adds extra momentum to the increasing overlap between trade and foreign policy that has been a hallmark of the UK's emergent foreign policy. The central aspect of this is the 'Asia-Pacific Tilt'. The objective of embedding the UK within the region is arguably as much about the relationship with the USA as the region itself. This perspective was given extra weight by the trilateral AUKUS pact finalised in September 2021 which sees closer Anglo-American collaboration with Australia on nuclear submarines, cyber and AI. The hostile French reaction to the pact (undermining as it did the Franco-Australian submarine deal) perhaps highlights the new dilemma in UK foreign policy; moving to the Asia-Pacific may not be cost free, particularly with allies in Europe who also view themselves as Pacific powers.

The IR also reflected the ever-increasing threat of state threats. Whilst the immediate post-Cold War era was marked by the rise of hostile non-state actors, recent years have seen a reversion to the old worries surrounding hostile nations. China and Russia are – unsurprisingly – identified as the two major adversaries. Russia has been labelled "the most acute direct threat to the UK" whilst, perhaps reflecting its unavoidable economic strength, China has been designated a "systematic challenge", a notably more nuanced term.

Whilst these adversaries present challenges to the UK, they also present opportunities. The rise of China could make British involvement in the Asia-Pacific more attractive for democratic allies such as Australia and Japan and the threat posed by Russia adds extra import to the UK's military presence in Eastern Europe, perhaps offering a route through which to demonstrate the UK's continuing importance to the European security environment.

As discussed above, relations with the EU, and France in particular, continue to cast a shadow over Britain's departure from the bloc. Continuing tensions over Northern Ireland and fishing in particular have grown into something that threatens the wider health of Anglo-French, and Anglo-EU relations in the medium term. Over the next few years, it will be necessary for all parties to develop some kind of basis for a productive relationship. The UK's defence capabilities could be a suitable lever for such collaboration.

The decision – in the Spring Budget – to cut the UK's aid spending from 0.7% of GDP to 0.5% drew criticism from many concerned about the impact this would have on the

world's poorest, and also on Britain's soft power. The subsequent confirmation that spending would return to 0.7% was perhaps an attempt to limit the political impact of the decision, however this will not come into force until 2024 at the earliest.

As we move into 2022, the key challenges facing the Foreign Office will be to continue strengthening links with partners in the Asia-Pacific whilst developing a stable footing for relations with European nations. Truss's recent visit to the Baltic States perhaps signals where she thinks this could emerge. Putting to one side the specifics of the UK's new foreign policy, the fact that we are spending so much time discussing it at all represents a change. Whether or not one agrees with the path set out, the emergence of a genuine debate on how the UK should engage the rest of the world provides an opportunity for a more strategic approach in the years ahead.

Defence

Defence reviews always mark a significant moment of inflection for the MoD and the armed forces. However, more than most, the 2020 review was hotly anticipated; an opportunity for new direction in a department made increasingly sclerotic by a budget desperately mismatched to its ambition.

Then Covid happened. The 2020 defence review slid backwards to become the 2021 review. Expectations for a bold and forward-looking outcome sank as fast as the economic projections emanating from the Treasury.

Yet 2021 could have started on an even lower note. In late 2020, Defence Secretary Ben Wallace won his all-too-public battle with the Chancellor, who did at least confirm that MoD's budget would survive the bloodletting he had planned for other corridors of Whitehall. Perhaps more significantly, MoD was also given the surety of a multi-annual settlement, key to managing the decades-long capability programmes that are the hallmark of defence procurement.

Many though still predicted that Covid would preclude the opportunity for a much-needed reappraisal of defence posture. Yet, over the course of nine days in March, the defence community could be forgiven any feelings of indigestion. The suite of three publications that arrived in rapid fire succession seemed to confound the pessimists.

The Integrated Review of Security, Defence, Development and Foreign Policy (IR) staked its claim to be the post-Brexit global reset of the UK's international posture long promised by Boris Johnson. It was quickly followed by two more detailed policy papers, 'Defence in a Competitive Age' - intended to describe MoD's specific contribution to the IR - and the Defence and Security Industrial Strategy - which aimed to reset the Government's relationship with business.

The overt message from each was of a generational shift in defence capability, one that will ensure that the armed forces remain fit for the 2020s and beyond. In line with a strategic shift towards emergent technologies, all three publications brimmed with references to future capabilities built on artificial intelligence, robotics, and autonomy. This new emphasis was also part of the Government's grander strategy of 'levelling up' and intended to create knock-on effects in the economy, targeting money towards innovative programmes and helping the MoD grow a more diverse base of domestic suppliers.

Turning such ambitions into reality will be paramount if the UK is to remain the 'tier one' military force it claims to be. Swingeing cuts to troop numbers and the early retirement of whole fleets of ships, tanks and aircraft did not go unnoticed. Such restructuring will be painful in the short term. But the message was at least coherent; the short-term price of a generational shift in strategy is one worth paying.

What is undeniable is that 'cutting your cloth accordingly' – as Wallace has himself been want put it – required military chiefs to accept suboptimal outcomes in some domains in order to fund priorities elsewhere. Cautious welcomes for the review from industry – for whom the MoD is foremost a customer – bely a commercial concern to carefully evaluate the plans before working out how well their investments are safeguarded. That process is far from over.

Nevertheless, the policy sentiment was at least encouraging. The re-gearing of procurement practices to protect domestic industrial capability had been long called for and is arguably the most significant policy realignment of the whole process for the MoD's domestic contractors, who will welcome the recognition that industrial capacity is a vital guarantor of national security. Moreover, future procurement practice is set to preference tenders that locate jobs, skills, intellectual property, and industrial capacity within the UK. The promise is that this will extend down the supply chain, with new incentives to

encourage more of the UK's small businesses to participate. Actions must now follow words.

That Wallace survived the September reshuffle and is now one of the longest standing members of the Cabinet is encouraging. Indeed, the changing of the guard among many of MoD's most senior officials means Wallace has the rare privilege of being more experienced in his job than most of those advising him. He knows that his legacy lies not in the words of the review but in how successfully his department delivers on its promises. Yet plain sailing is rarely a safe bet in defence.

International Trade

It has been five years since the Brexit referendum forced the UK to consider an independent trade policy. Away from the heat and fury of endless feuds with Brussels, it is clear Whitehall and the Government, via the Department for International Trade (DIT) have begun to make real progress in a relatively short space of time.

Alongside rolling over the remaining EU free trade agreements (FTAs), the UK has taken steps to tap into the world's fastest growing economic region through deals with Japan, Australia and New Zealand, alongside progress towards joining the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). Looking to the Asia-Pacific, the UK has found allies, with negotiators on all sides concluding their work in record time from their respective kitchen tables, and with most never meeting face-to-face as travel restrictions prevented in-person dialogue.

The absence of a US deal is not so much a reflection on the UK, but the consequence of a Democratic President with the same instincts on trade as his Republican predecessor. Even if the Australia and New Zealand deals are not economically transformative, they still represent more progress than many thought possible in a short space of time. The consequence of this has been Liz Truss's promotion to Foreign Secretary, and a new pride of place amongst the Conservative Party faithful. New Trade Secretary Anne Marie Trevelyan is showing early signs of a similar appetite to her predecessor, reaching agreement on a digital deal with Singapore and the UK-New Zealand FTA. There is even potential for pre-Christmas signature of the UK-Australia FTA.

Most importantly, these agreements show DIT is delivering on one of the central promised benefits of Brexit, with the UK's trade policy reflecting areas of economic strength such as digital and financial services. It was often the case that EU FTAs appeared tailored to the French or German economies much more than the UK's.

These deals also demonstrate that DIT can hold its own in the politely brutal world of inter-departmental power games in Whitehall. Had DIT Ministers not succeeded in their Cabinet battles against more protectionist colleagues, the UK's trade policy would have been sunk before it even left the harbour. Deals with Australia and New Zealand and membership of CPTPP would likely have been off the table. While laced with hyperbole, the Prime Minister's foreword to the new Export Strategy, describing UK policy as "bad news for protectionists, mercantilists and isolationists the world over", is illustrative of a government which is committed to a buccaneering, enterprising approach to international trade policy.

The Government also visibly has appetite to promote its post-Brexit free trading identity beyond FTAs. Earlier this year, the Government launched a revamped Export Strategy, setting a target of £1 trillion a year in export value, which made clear it sees international trade as an enabler of the wider 'levelling up' agenda. Although thin on the detail of how this will be achieved, the intentions are the right ones as anti-globalisation sentiment has driven protectionist and populist sentiment in many jurisdictions in recent years.

2022 will be crucial for the UK's trade policy. UK negotiators are no longer the new kids on the block, and trading partners will have a much clearer idea of what to expect, while forthcoming deals with countries such as India – which holds a fundamentally different view on trade to the UK – pose a new challenge. Likely to be far trickier, and to take longer to conclude, these are the kinds of trade agreements which have much greater potential to make a real difference to UK exporters and investors in-country.

Education and Skills

Four days into 2020 and the Government was forced to go back on its promise of keeping children in school. Schools and colleges faced disruption as they moved to remote learning, and like Groundhog Day, GCSE pupils also saw their exams cancelled the same week Gavin Williamson confirmed they would go ahead. Already on thin ice with parents and schools after the algorithmic system of grading in 2020, this year exams were marked based on

teacher assessment, including coursework and mock exams to avoid a repeat of 2020's grading scandal.

Although evidently a better system for pupils, grades saw huge inflation, with 44.8% of A-Level students being rewarded an A or A* compared to 25.5% in 2019. This has sparked fears that universities will begin relying on other methods of selection, such as personal statements which disadvantage the least affluent.

In line with their levelling up agenda, and the need to address the crippling labour shortage in the UK, the Government have focused heavily on skills investment. The Skills and Post-16 Education Bill offers a new outlook on post-16 education, and opens up new opportunities for young people. The Autumn Budget also attempted to bring school funding back to pre-austerity levels, with £4.1 billion being announced for schools in England between 2024 and 2025. To support skill conversion, and underperforming industries, the Treasury also announced a £1.6 million funding package to support the rollout of T levels, and adult literacy and numeracy.

The Government also announced its Covid Catch-Up Plan, which provides £1.4 billion of funding for post pandemic catch up in schools, including for teacher training and resources for Year 13s to repeat their final year. Although this plan was welcome, the sector has criticised it in comparison to the support and funding a number of other countries have offered their pupils.

Somewhat unsurprisingly, the September reshuffle saw the Department for Education wave farewell to Williamson; after two consecutive exam fumbles, Williamson returned to the backbenches and was replaced by Nadhim Zahawi. Rewarded with this position after his successful stint in charge of the vaccine rollout, it is hoped that Zahawi can rebuild the Government's relationship with the sector. Ensuring children remain in schools has been a key priority for this year, and Zawahi has stated that he will continue to do everything in his power to keep children in class.

Work and Pensions

To most, the issue of work and pensions is one of government's more mundane policy areas. This year, however, it formed one of the most significant headaches for Downing Street when, in October, the Government decided to remove the £20-per-week uplift to Universal Credit introduced at the start of the pandemic. Six Conservative former Work and Pensions Secretaries had spoken out against removing the uplift, arguing the Government should stand on the side of supermarket workers, cleaners and carers at a time of financial difficulty. Labour's attempt to embarrass the Government with a (non-binding) motion calling on it to cancel the cut was ineffective; despite technically passing thanks to the Conservatives' abstention, the Government proceeded with the cut.

In addition to benefits and welfare, the Department for Work and Pensions (DWP) also oversees the UK's pensions framework (both state and private contributions). Much of its work this year has looked at the consideration of climate change in pensions policy, with proposals published in October to require pension schemes to measure and report on their investment portfolios' alignment with the Paris Agreement to limit global temperature rises to 1.5C. If approved, these will be implemented towards the end of 2022, and will put climate at the forefront of UK pensions policy. It adds to a long list of initiatives enacted by the Government in the financial services sector to prioritise climate change mitigation.

DWP has recently announced next year's increases to the state pension and benefits, which will both rise in line with the Consumer Price Index – 3.1%. It follows a temporary suspension of the wages element of the pensions triple lock, with those figures having been distorted by record post-pandemic wage growth.

Within the Department itself, Therese Coffey remains Secretary of State, retaining her position during September's reshuffle. New to the department in September were Chole Smith, who moved from the Cabinet Office to become Minister of State for Disabled People, Health and Work. David Rutley was promoted from government whip to Minister for Welfare Delivery.

Tech and Digital

In a year that began in lockdown and is ending with working from home orders, technology continues to play an ever increasingly significant role in our lives at a time when in-person interactions are limited. While this year has highlighted the advantages to digital technology, it has also drawn out the risks, with the real-world consequences of misinformation being borne out in relation to vaccination, among other issues. In this context, the Government is seeking to balance the dual ambitions of unlocking the enormous benefits of digital technologies, while minimising the risks they present. In order to achieve

this the Government set out its Plan for Digital Regulation in the Summer which lays out the framework and principles that will underpin its technology policy going forward.

One of the key objectives of the Plan is to keep the UK safe and secure online with the cornerstone of this policy being the Online Safety Bill. This will place a duty of care on in-scope services to protect their users with escalating responsibilities depending on the size and scope of the business. It was published in draft form in May this year and has been undergoing pre-legislative scrutiny with the Government intending to introduce an amended Bill to Parliament in March 2022. Since the draft Bill was published there has been a change in leadership at Department for Digital, Culture, Media and Sport with the new Secretary of State indicating the next draft of the Bill will be "much tougher and stronger". Alongside regulating the technology companies themselves, the Government also wants to empower users to make better choices online and as such it published an Online Media Literacy Strategy and will give Ofcom increased media literacy obligations in its role as online safety regulator.

Another aim of the strategy is to promote competition and innovation and one of the main pillars to achieve this is the creation of the Digital Markets Unit (DMU) within the Competition and Markets Authority. The DMU was launched on a non-statutory footing in April 2021 and the Government consulted on its powers in the Autumn which include regulating firms with “substantial and entrenched market power” to fulfil the wider aim to promote competition in digital markets. It is expected that much of this regime will focus on so called GAFAM firms - Google, Apple, Facebook, Amazon, and Microsoft. In the New Year we can expect the government to set out its response to the consultation and next steps for the DMU.

A vital part of the digital eco-system is data and 2021 saw significant policy progress in this area following the publication of the National Data Strategy at the end of 2020. Crucially in June the European Union agreed a data adequacy agreement with the UK which allows personal data to flow seamlessly between the territories after Brexit. The agreement recognised the UK’s high data standards which the Government is now seeking to improve following the UK’s departure from the EU. In September, it launched a consultation on proposed reforms to the UK’s data protection regime whih marks the first step in delivering on Mission 2 of the National Data Strategy to secure a pro-growth and trusted data regime. As part of delivering Mission 1 of the strategy, the Government set out a framework for making private and third sector data more usable, accessible and available across the UK’s economy while protecting people’s data rights and private enterprises’ intellectual property.

As digital becomes more integrated into our lives the Government is seeking to make it easier for people to verify themselves using digital technology with the aim to create a process as trusted as using passports or bank statements. As such it published two drafts of a UK digital identity and attributes trust framework and ran a consultation on digital identity. Seeking to harness the advantages of technology the Government also published its National Artificial Intelligence Strategy that seeks to cement the UK as a leading science and AI superpower.

Looking ahead we can expect the Government’s full Digital Strategy to be published as well as its Online Advertising Programme which will examine whether the current advertising framework needs to be strengthened. The Government’s Ten Tech Priorities it published this year will continue to shape policy going forward. While a number of priorities are in train we can expect the priorities to champion free digital trade, level up digital prosperity across the UK and use digital technology to achieve net zero to be front of mind as they feed into the wider policy objectives to pursue Global Britain, level up the UK and support the transition to net zero.

Transport

In a year when the UK hosted the COP26 climate summit, it is no surprise to see the Johnson Government striving to lead the world on the decarbonisation of transport. Surface transport is currently the largest emitting sector of the UK economy, making up 23% of total UK emissions in 2019. Emissions from this sector have been broadly flat over the past decade, falling just 1% between 2009 and 2019. For context, transport emissions need to fall by 90% by 2050 to meet the economy-wide net zero target.

To address this systemic challenge, the Department for Transport published its long-awaited Transport Decarbonisation Plan (TDP) in July. Described by the Government as a “world-leading ‘greenprint’ to cut emissions from the UK’s seas, skies, roads and railways”, the plan sets out a credible pathway for the entire transport sector to reach net zero by 2050. The plan featured headline commitments to ban the sale of new

diesel and petrol heavy goods vehicles and buses and for the Government's own fleet of cars and vans to transition to electric vehicles by 2027 instead of 2030. Prior to the publication of the Plan, the Government confirmed its decision to bring the ban on new petrol and diesel cars and vans forward from 2035 to 2030. The newly-published Net Zero Strategy also includes proposals for a zero-emission vehicle mandate compelling automotive manufacturers to sell a certain proportion of electric vehicles from 2024.

What is happening on the roads is being mirrored in the skies. Through the Jet Zero Council, the aerospace sector is playing a leading role in the Government's drive to decarbonise aviation with progress on sustainable aviation fuels and new engine technology likely to accelerate rapidly in the coming years. While these are no doubt positive developments the huge damage caused by the pandemic is of greater concern to the sector. Aviation was one of the first industries affected by COVID-19, as governments closed international borders to prevent non-essential travel, and while there has been a partial recovery, the depth and breadth of that recovery is varied across businesses and geographies.

Despite the gradual return of consumer demand in the second half of 2021, the threat of the Omicron variant casts a pall over the sector's short-term prospects. At the time of writing, travel companies are warning that the pace of holiday bookings has slowed since the emergence of Omicron with travel stocks dragging equity markets down across Europe. Longer term, the future is brighter with aviation set to play a crucial part in the recovery of UK PLC and in the delivery of the 'Global Britain' trade-led agenda, with ministerial focus applied to ensuring that major UK airports remain key international travel hubs and domestic aerospace manufacturers recover and prosper.

Ministerial focus has also been directed to resolving a long-standing British transport issue, the railways. "I want to be the Prime Minister who does with Northern Powerhouse Rail what we did for Crossrail in London", the infamous words uttered by the Prime Minister days after he entered Downing Street in 2019.

Fast forward two years and voters must come to terms with the somewhat different contents of the Government's Integrated Rail Plan. The proposed eastern leg of HS2, between Birmingham and Leeds, has been cut back and Northern Powerhouse Rail (NPR) also downgraded, with the plans delivered through a combination of new track and upgrades to existing infrastructure, rather than an entirely new line between Manchester and Leeds. There will be many people, especially those affected by the changes, who will feel the Prime Minister has gone back on his word.

The chorus of negative political and media reaction from across the North of England that accompanied the announcement is not how the Government envisaged the £96 billion funding envelope to improve rail services being received. To what extent the scaling back of the HS2 and NPR programmes undermine the Government's signature levelling up agenda depends who you talk to, but one thing is for sure, Johnson's past comments on HS2 and NPR combined with his perceived failure to deliver will be ruthlessly exploited by his political opponents.

Regrettably for the Prime Minister, HS2 and NPR were not the only problems on twin tracks he has had to contend with in 2021. Boris Johnson and his Transport Secretary Grant Shapps have been locking horns with Mayor of London Sadiq Khan and Transport for London (TfL) regarding funding for London's transport network which has been battling significantly reduced revenue streams since the onset of the pandemic 18 months ago. Earlier this month, TfL warned it needed a fourth government bailout, to the tune of £500 million, in order to keep funding Tube and bus services across the capital.

Spiralling costs are not unique to TfL. Last month, the UN warned that elevated shipping costs resulting from the global supply chain crunch will fuel further inflation around the world. The surge in freight rates is likely to push up global consumer prices by an additional 1.5% should they remain high into next year. The pandemic-induced boom in demand for goods, combined with supply chain disruptions from congested ports to the Suez Canal blockage, have caused freight rates to rocket to record highs, reaching about five times their average over the past decade.

Culture & Arts

After 18 calamitous months, Britain's cultural institutions reopened in July this year. Many were brought back from the brink after the Government intervened with a £1.57 billion Covid Recovery Fund while for others it was curtains down. Irrespective of size, reputation or number of visitors, the future of Britain's cultural bodies has yet to be determined as many institutions desperately seek to land back on their feet.

With the increasing threat of new restrictions as Omicron cases multiply, the culture sector may have only faced its first test. Inside government, senior figures felt that the 'bailout' offered was generous due to it being the only sector-specific financial package of its kind. However, for many, the Covid Recovery Fund was a drop in the ocean compared to the losses made over those 18 months. Under newly appointed Culture Secretary, Nadine Dorries, some in the sector are of the view that further support will not be forthcoming.

Dorries, a Johnson stalwart, is thought to take a more cautious approach with regards to government support than her predecessor, Oliver Dowden. Her time as Culture Secretary has so far focused on the content of the BBC and Channel 4, calling into question whether the latter has a 'viable and sustainable model'. Indeed, many argue that Dorries' appointment was based upon her outspoken political demeanour and how she characterizes the political leanings of organisations and individuals within her department's remit.

Despite recent hardship, the arts sector remains an important component of the UK economy, and has the potential to help drive the recovery. In 2019, the creative industries contributed £115.9 billion to the UK economy. This was 5.9% of total UK Gross Value Added (GVA). Creative Industries GVA has been growing faster than the UK economy since 2011. The unique ability of this sector to make a swift and profitable recovery may ensure its stability as it navigates the continuing economic impact of the pandemic.

Housing

2020 had been a year of deep uncertainty for the housing sector, driven by the pandemic, but also held the promise of serious planning reform with the publication of the Planning for the Future White Paper. A year later, developers are on a surer footing while still facing challenges with labour and supply shortages caused by the global pandemic response, but hopes of meaningful planning reform have subsided. A newly rebranded government department and new ministerial team will set out reworked proposals next year, with a likely shift in focus towards brownfield sites and away from the London and the South East.

This year's Spring Budget included a new Residential Property Developer Tax set to be introduced in 2022 with the aim of raising £2 billion over the next decade, billed as ensuring developers make a fair contribution, alongside the introduction of a new Gateway 2 levy applied when developers seek permission to develop certain high-rise buildings. The Autumn Budget confirmed that the RPDT will be charged at 4% on profits exceeding an annual allowance of £25 million. Alongside this, the Spending Review confirmed a £24 billion settlement through to 2025-26 for safe and affordable housing, delivering a £10 billion investment in housing supply potentially unlocking over one million new homes under the current spending review period. In addition, with the consequences of the Grenfell disaster still being felt four years since the tragedy, the Chancellor confirmed over £5 billion of funding to remove unsafe cladding from the highest-risk buildings.

The chances of deep-rooted reform of the planning system have, however, receded for the time being. The Government's plans to revolutionise the planning system faced strong opposition on the Conservative backbenches with the threat of an almost 100-strong rebellion leading to a government climbdown. Conservative critics of the proposed reforms argued that they would lead to a "developers' free-for-all" in southern Conservative seats, leading to a potential backlash with traditional Tory voters. This fear was compounded by defeat to the Liberal Democrats, who were able to tap into local NIMBY sentiment, in the Chesham and Amersham by-election. Reworked proposals are expected to place emphasis on developing brownfield sites. In this vein, the new Brownfield Land Release Fund is designed to support the release of local authority-owned brownfield land for housing, with plans in place for an extra 5,600 homes built on such land announced in October via the scheme.

Housing and planning now sit in the newly rebranded Department for Levelling Up, Housing and Communities, headed up by Secretary of State Michael Gove with Tory rising star Kemi Badenoch serving as Housing Minister. Gove has signalled that planning remains a key part of the Department's plans, highlighting the need for new housing in the North and Midlands, allaying the fears of southern backbenchers, but seemingly at odds with the housing crisis in London and the South East. Significant reform remains necessary if the Government is to meet its long-standing target for 300,000 new homes a year.

US Politics

2021 was a challenging year for US foreign policy. President Biden inherited an international landscape from his predecessor marred by tensions with China, an ever-turbulent relationship with Russia, and criticism over the withdrawal of US troops from Afghanistan – the latter of which was branded a "shameful" move by UK Parliament. The recent announcement of a diplomatic boycott of the 2022 Beijing Olympics and warnings to President Putin against an anticipated invasion of Ukraine have been a further test of Biden's willingness to maintain an image of the United States as an international hegemon on the world stage, while delivering on his domestic agenda.

UK-US relations have seen a number of positive developments this year. Collaboration to lift the Covid-induced travel ban on British citizens travelling to the US and the signing of the AUKUS security partnership with Australia, for instance, have been evidence of the Special Relationship – a term some questioned under President Trump's administration – at work. Biden's push to deliver on the climate agenda also saw John Kerry, US Special Presidential Envoy for Climate, help the UK to lay the groundwork for negotiations at COP26, the result of which saw rare progress with China on boosting climate co-operation.

However, the nature of the relationship ultimately remains transactional at its core. Biden has been critical of Johnson's post-Brexit stance on Northern Ireland and sided with the European Union against the prospect of the UK scrapping the Northern Ireland Protocol. In June, his top officials even accused the UK Government of inflaming tensions in Ireland and Europe. Continuing post-Brexit talks next year therefore will likely test the resilience of Biden's commitment to supporting the region in negotiations.

The President's focus, however, continues to be on his domestic agenda, which at present includes managing the spreading Omicron variant, natural disasters and surging inflation. While the passage of his landmark $1 trillion bipartisan infrastructure bill in November was lauded as a legislative success, Biden now faces a challenge in securing approval for his ambitious $1.75 trillion 'Build Back Better' plan – a slogan reminiscent of Johnson's own. Regardless, the President's plummeting approval ratings will be most alarming to his administration, with one recent poll indicating over two-thirds of Americans disapprove of how he is handling inflation, and wider concerns of his management of gun violence and COVID-19.

Of immediate concern for the governing party, however, are the 2022 midterms, where every seat in the House of Representatives and a third of Senate seats will be contested. Democrats will have to defend their slim House majority – which currently stands at 221 to 213 Republican seats – and one-seat majority in the Senate. Losing these majorities would create a significant obstacle for Biden's legislative agenda, with any potential US-UK trade deal, for instance, requiring approval from the Senate.

UK officials will therefore be watching Biden's governance strategy across the pond closely, and whether the Democrats can maintain their control of Congress next year.

ALEX DEANE
Senior Managing Director
Alex.Deane@fticonsulting.com