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FTI Consulting Public Affairs Christmas Snapshot 2022

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

In 1888, our German friends experienced "the year of the three Kaisers." Such turbulence in leadership was unparalleled, they thought. Hold my beer, said the UK in 2022.

It has been an interesting year for those delivering political counsel. Just as maps and plans emerged from the challenges of the coronavirus period, they required immediate revision - and then revision again - at the drop of a hat.

But the country now seems set on a Sunak premiership until the next election, and in what follows the FTI UK Public Affairs team - now over 40 professionals strong - seeks to take a sector-by-sector, party-by-party look at what that will mean for politics in 2023.

I think that a couple of cross-cutting themes have emerged as we applied ourselves to this exercise.

The first is the rise of the importance placed on positions taken by the Labour Party. The Conservatives can comfort themselves with the fact that party polling isn't quite like 1997, or that Keir Starmer is no Tony Blair - but there's no doubt about the increased relevance of Labour's policies. Behave, we gather the Leader of the Opposition has told his Shadow Cabinet, as if you were in government already. Sails have been trimmed. Excesses have been abandoned. Labour seeks to present itself as the coming power, and business is responding accordingly.

Secondly, trade questions - once perhaps not the most glamorous amongst political topics - are genuinely taking an increasingly central place in client considerations when it comes to the UK market. Perhaps this might have been expected sooner given Brexit, but here we are - from tariffs to tax breaks to foreign ownership, we find our trade experts increasingly called upon for counsel across our briefs.

However and wherever you are spending your break, I hope that you enjoy some rest and return to the political arena in 2023 refreshed, with what follows being of some help. The FTI UK Public Affairs team looks forward to supporting you in 2023.

Wishing you a Merry Christmas.

Alex Deane, Head of UK Public Affairs

Month by month

January - Prime Minister Boris Johnson offers a "heartfelt apology" for attending a party in the Downing Street garden during the first lockdown in May 2020. The Gray Report into that party and 14 others concludes that several 'drunken and rowdy' gatherings should not have been allowed to have taken place.

February – Five of Johnson's aides resign including his Chief of Staff, Director of Communications, and Principal Private Secretary following the Prime Minister's comments suggesting Labour leader Keir Starmer had been responsible, as Director of Public Prosecutions, for failures to bring Jimmy Savile to justice. Meanwhile, the DUP First Minister of Northern Ireland Paul Givan resigns in protest at the Northern Ireland Protocol.

March – MPs repeal the 2011 Fixed-term Parliaments Act returning full agency to the Government to set the date of the next general election, which must happen before January 2025. The Spring Statement includes a rise in National Insurance and a cut in fuel duty. Paulette Hamilton wins the 2022 Birmingham Erdington by-election for Labour with 55.5% of the vote.

April – The Government publishes its Energy Security Strategy which included plans for eight new nuclear reactors and a target of 95% of the UK's electricity coming from low-carbon sources by 2030. The Elections Act 2022 introduces voter photo identification for in-person voting in the UK for the first time. Conservative MP Neil Parish resigns after admitting to watching pornography in the House of Commons chamber.

May – The Chancellor announces a £15 billion package of measures to alleviate rising energy bills, to be funded by a 25% windfall tax on oil and gas firms. Foreign Secretary Liz Truss unveils plans to unilaterally abandon parts of the Northern Ireland Protocol. The Government revises the Ministerial Code removing the need for resignation following rules breaches. The Conservatives lose 485 seats in local elections and control of flagship London councils in Barnet, Wandsworth, and Westminster. Sinn Féin causes a political earthquake as the first republican party to become the largest in the Northern Ireland Assembly.

June –Boris Johnson survives a vote of no confidence among Tory MPs, though his margin of victory - 211 votes to 148 - is closer than expected. The Conservatives lose Wakefield to Labour and the once rock-solid seat of Tiverton and Honiton to the Liberal Democrats in by-elections. Chris Pincher, the Conservative Deputy Chief Whip, resigns following an incident at a party at the Carlton Club.

July – Allegations against Pincher emerge stretching back a decade, something Johnson concedes that he was aware of before appointing the disgraced MP to the Government in February. A wave of resignations follows, led by Chancellor Rishi Sunak and Health Secretary Sajid Javid. In total 53 MPs leave the Government before Johnson concedes his time is up. Conservative MPs quickly narrow down the candidates to replace him to two, and Rishi Sunak and Liz Truss to go forward to a ballot of party members.

August – Any summer lull in politics is wiped out by the race to be the next occupant of No.10, as Truss takes a seemingly unassailable poll lead. Despite trailing Sunak in the secret ballot between MPs to narrow the field, Truss gets endorsement after endorsement. In a break with tradition, it is announced that the Queen will appoint the victor at Balmoral rather than Buckingham Palace.

September – Liz Truss wins the vote of 57.4% of Conservative members and moves into Downing Street. Early moves, including a cap on spiralling household energy bills, are overshadowed as within 48 hours Buckingham Palace announces the death of HM Queen Elizabeth II. More than 500 sitting or former heads of state from around the world gather in London for the funeral. As politics returns, new Chancellor Kwasi Kwarteng delivers a mini-Budget of sweeping and unfunded tax cuts to the widespread alarm of financial markets. In response, pound sterling dives, losing 3% against the US Dollar. Labour arrives in Liverpool for its annual conference in a jubilant mood.

October – Truss makes her first and only Conference speech as Prime Minister, labelling opponents of her economic plan the "anti-growth coalition". The unravelling soon begins, though, as the Government U-turns on abolishing the highest income tax band. Continuing market turmoil resulted in the sacking of Kwarteng, whose replacement Jeremy Hunt, immediately reverses almost all the tax measures announced just weeks earlier. Fundamentally undermined, Truss survives barely a week before her resignation and becomes the ignominious holder of the record for shortest serving PM in British history – a tenure of just 50 days. Conservative MPs unite to ensure Rishi Sunak is quickly installed in her place, and he becomes the UK's first British Asian Prime Minister

– but not before the brief prospect of a Boris Johnson comeback bison the cards.

November – The new Chancellor completes his full about-turn in economic policy, delivering an autumn that lays bare the dire state of the UK's economic outlook. A protracted recession is forecast. The Supreme Court rules that there can be no Scottish independence referendum without Westminster's consent. Northern Ireland Secretary Chris Heaton-Harris announces fresh elections in 2023 after efforts to form a government had been repeatedly blocked by the DUP since May. Sir Gavin Williamson resigns as Minister of State without Portfolio following allegations of bullying.

December – A welcome return to 'normal' politics is not enough to disguise Labour's sustained lead in the opinion polls. Labour's Samantha Dixon easily wins the Chester by-election with an increased majority, as a growing clutch of Conservative MPs announced their intent to stand down at the next election. This group includes former cabinet ministers Sajid Javid and Matt Hancock and poster child of the red wall revolution, Dehenna Davison – still just 29.

The economy and public finances

2022 was a torrid year for the UK's public finances. Economic factors that had been building up over years combined with the pandemic, the war in Ukraine, and the consequences of a series of short-term political decisions sent the economy into a tailspin. At the same time, the British political class got a sharp reminder of the power of markets and free-market economics saw its reputation severely dented. Finally, the Bank of England recently warning the UK faces its longest recession since records began meaning that 2023 looks set to be a year of continued economic stagnation.

It is easy to forget that January 2022 saw an estimated 1 in 15 people in the UK with Covid-19 and Plan B measures still in place. Few doubted at the time that measures put in place by the Government to protect the public were necessary, but they were certainly also expensive. As of June 2022, the National Audit Office estimated the total cost of government spending on Covid-19 at £376bn – an almost unimaginably large number, equivalent to two years' worth of health spending or almost eight years' worth of defence spending.

Fast forward to September, and it was a rather smaller sum that saw markets turn against then-Chancellor Kwasi Kwarteng in his mini-Budget. A £150bn energy support package and tax cuts worth £45bn were seen as excessively risky, with the Chancellor's breezy assertion that there was "more to come" further inflaming matters. The resulting turmoil saw material risks to financial stability emerge, emergency interventions by the Bank of England, and the loss of first a Chancellor and then a Prime Minister.

So, what had changed? First, a heightened sense of geopolitical realism. This year, war became closer and in more familiar surroundings than we would have wanted to imagine. That has had direct and day-to-day impacts on the provision of energy, food, and raw materials. In such a scary world, you aim for fiscal prudence.

Second, rising inflation – which, as well as causing serious financial strains on households and businesses, has a direct effect on the amount spent servicing the national debt. The higher inflation is, the worse the public finances are – with the Office for Budget Responsibility estimating in March that the total cost for servicing the national debt in £2022/23 would be £83bn, almost three times the 2018 figure. These are significant numbers and are likely to continue to stay high.

The third factor was political rather than economic. The rhetoric of the Truss administration allowed the inference to be drawn that the Government simply didn't trust – and would be happy to override – institutions including the Bank of England, and the Office for Budget Responsibility. The sacking of Tom Scholar, a long-time Whitehall mandarin and experienced Treasury official, and phrases like the "anti-growth coalition", didn't help matters. Neither did the warnings of the former Chancellor, Rishi Sunak, who spoke with experience and institutional knowledge. Suddenly, market makers were forced to take sides, and they chose caution.

In the months since the mini-Budget, the Sunak administration has looked to engineer a return to comparative stability. Bond yields have stabilised and, following the hasty reversal of Kwarteng-era measures by Chancellor Jeremy Hunt, the country now enjoys a fiscal headroom of around £9bn. Ironically, though, recent events have also made discussions about economic growth much more difficult. Deregulation and tax cuts are, for the time being at least, off the table. Productivity increases are politically hard to talk about at the same time as holding COBR meetings about the ongoing industrial strikes, and the lustre has worn off prospective trade agreements which are vital for Britain's future.

Earlier this month, the Chancellor said the "economy will get worse before it will get better". Much now hinges on what the winter will hold. A perfect storm of strikes, cold weather, an overwhelmed NHS, stagnating wages and everything being more expensive is unlikely to make for a happy nation. The 1959 Conservative campaign slogan was "Life's better with the Conservatives". Fairly or otherwise, many households and businesses may now be looking back and asking themselves precisely how.

Business and industrial strategy

2022 has been marked by everything business dislikes: political instability, a volatile economy and squeezed consumer spending. What began with the Government promising to 'level up' the UK economy with investment in historically underdeveloped parts of the country, ends with business confidence in apparent decline, investment in manufacturing falling, and the UK's industrial strategy on life support.

Launched under Theresa May's administration, the UK's industrial strategy was intended to boost productivity and "increase the earning power of people throughout the UK with investment in skills, industries and infrastructure". Since then, it has been quietly pushed aside as Brexit and the pandemic became the Government's focus. The 'industrial strategy' section of the government's website has been archived, replaced in 2021 by Boris Johnson's 'Build Back Better' plan for growth. But Johnson's removal from office and Liz Truss's poorly received economic policy that followed means that, yet again, the Government is having to take a new approach to British business and industry.

The Government knows it desperately needs a plan as the UK tips into recession.

Manufacturers are particularly susceptible to inflation as higher costs, either directly from energy price rises or indirectly through increased material costs. This, combined with falling consumer demand, is the reason why Make UK – the trade body for British manufacturers – is forecasting a 4.4% drop in output by the end of 2022. Productivity is also trending down and remains lower than pre-pandemic levels. This is due mainly to skills and worker shortages but also, government critics argue, due to underinvestment in public services and a poor deal on Brexit.

Rishi Sunak and his Chancellor, Jeremy Hunt, appear to be attuned to the problem, with the latter expected to relaunch aspects of the industrial strategy in the new year. Hunt has identified five growth industries for the UK: digital, life sciences, green technology, financial services and advanced manufacturing. He intends to publish more detail on investment incentives and regulatory changes, but there will be a concern such an approach simply skirts around the edges of the issues at hand rather than addressing the deeper-rooted problems with the British economy.

For its part, business has been clear about what it needs in terms of stimulus and support. For example, a permanent investment tax incentive regime which the CBI estimates would unlock £50 billion in capital investment per year by 2030. The trade body has also called for a loosening of immigration laws and easing the restrictions on the use of land for development – but both issues won't sit well with more traditional elements of the Conservative base. A more cooperative approach to the Northern Ireland trade question would also be warmly welcomed.

As we look ahead to 2023 the outlook remains bleak: unemployment is projected to rise, inflation seems likely to remain high, and growth is slated to be among the weakest of advanced economies. Labour will take advantage of this, claiming that 12 years of Conservative government has not benefitted the economy. Sunak and his Cabinet will be hoping for green shoots in the business environment ahead of the anticipated general election in 2024.

Strikes and industrial relations

Industrial action and strikes have dominated the headlines, as the UK experienced a wave of discontent across the public sector. December alone sees a wave of coordinated industrial action across various sectors of the economy, including nurses, ambulance crews, the civil service, and postal workers.

On the railways, disputes over pay and working conditions came about following Network Rail's proposed modernising reforms designed to strengthen the financial footing of the sector. As wages struggle to keep up with rising inflation, an increased cost of living, and energy prices only add pressure to households across the country, rail unions continue to lobby for 'long-term job security, a pay rise and protected working conditions.'

While railways outside the control of the Department for Transport have made headway in negotiations, the Government is yet to reach an agreement with unions including the RMT. It has held its position that the reforms are necessary to deliver value for money to the taxpayer and in response, put forward legislative changes to allow temporary agency workers to provide cover during official industrial and strike actions. The Conduct of Employment Agencies and Employment Businesses (Amendment) Regulations 2022 repealed previous regulations that prohibited the use of agency workers to cover the duties of striking employees, and according to Ministers, provides businesses with 'greater flexibility.'

It is unclear if the Government's legislative response will suffice in quelling, or at least minimising disruption. With workers mostly striking over pay and funding, Chancellor Jeremy Hunt has said that there would be no concession over public sector pay, and as such, it is difficult to see a way forward. Rishi Sunak has already committed to putting forward more stringent legislation to limit the impact of strikes. In October 2022 the Government introduced the Transport Strikes (Minimum Service Levels) Bill, a Conservative 2019 manifesto commitment, which sets out a legal framework to guarantee a minimum level of service during industrial strike actions on transport services. It is expected to have its Second Reading in the New Year, with speculations that the Government is considering expediting the Bill's passage through the House of Commons and expanding the bill to cover sectors beyond transport.

While the new legislation might ease future industrial actions, the ongoing disputes pose a real challenge to the Conservatives with the next election coming into view. To voters, these strikes can paint a picture of a government struggling to keep Britain moving. Recent polls have begun to indicate that the Labour party are generally more trusted among voters to improve the economy, reduce the cost of living and improve public services. The real long-term solution to address these disruptions is to set out a credible plan to fix the economy and curb inflation. Sunak is expected to unveil his vision for the nation in the run-up to the Spring Budget next year, but whether this will be enough to address these challenges remains to be seen.

The Conservative Party

Fifty years from now, history will judge 2022 not only as a year of extraordinary turbulence for Britain but a year littered with disastrous decisions on the part of the Conservative Party – a party that has always tried to market itself as one with a sense of shrewd competence. Faced with accusations of sleaze, sexual harassment and law-breaking, the Conservative Party is seen by many to have descended into an astonishing display of self-indulgence, which may have already sealed its electoral defeat.

From late 2021 onwards, then-Prime Minister, Boris Johnson faced a litany of accusations that he serially broke the lockdown restrictions his administration imposed on the country during the Covid-19 pandemic. Despite months of outright denials and carefully crafted statements, Johnson was eventually fined by the Metropolitan Police in April 2022. So, too, was his Chancellor, Rishi Sunak.

The party lost two by-elections just a month later and the government's credibility continued to deteriorate. For Boris Johnson, the beginning of the end came in July, with the arrival of yet another scandal – this time surrounding his Deputy Chief Whip, Chris Pincher MP. After a series of initial denials, Johnson went on to admit that he had indeed appointed Pincher to the role despite being aware of allegations of sexual misconduct. This time, it wasn't just the electorate that had grown weary of his leadership, but Johnson's MPs too. The Prime Minister suffered a tidal wave of ministerial resignations, and on 7 July he announced his intention to resign.

In the ensuing Conservative leadership election, no fewer than 11 Conservative MPs announced their candidacies. After several ballots of Conservative MPs, the final two contenders were presented to the party's grassroots: Rishi Sunak and Liz Truss. Following a divisive contest, Truss emerged victorious and became Prime Minister on 6 September pledging to return the party to its perceived core values of low taxation, deregulation, and free trade. Indeed, it was briefed that she wanted the Government to do "fewer things" but to do them "better".

But it wasn't to be. Just two days after taking the reins of No 10, the new Prime Minister was hit with the death of Her late Majesty, Queen Elizabeth II. Three weeks after the monarch's death, her Chancellor, Kwasi Kwarteng, delivered his explosive mini-Budget in which he announced substantial – but largely uncosted - tax cuts. As a result, the pound fell to a record low against the dollar, British Government gilt yields rose to levels that prompted the Bank of England to trigger an emergency bond-buying programme, and condemnations flooded in.

Amid growing pressure, a nosedive in the polls, and several disastrous media performances, Truss dismissed

Kwarteng as Chancellor and replaced him with former Cabinet minister and moderate Jeremy Hunt, who set about reversing most aspects of the mini-Budget. Left with neither the ability to implement her ideology nor the confidence of her colleagues, Truss announced her intention to resign after just 44 days in office. A premiership that promised to be the most radical and transformative since the days of Margaret Thatcher more closely resembled a slow-motion car crash. Instead of "hitting the ground running" as promised, Liz Truss became the shortest-serving Prime Minister in British history.

The chaos didn't end there, though. With the arrival of another leadership election came a rumble of rumours about Boris Johnson's desire to return to No 10. But despite assurances from his campaign team that he "had the numbers", the former Prime Minister ruled himself out of the contest, leaving Rishi Sunak and Penny Mordaunt as the only two declared candidates. The following day, Mordaunt pulled out of the race, meaning the former Chancellor was declared the Conservative Party's new leader.

As he became Britain's third Prime Minister of the year on 25 October, Sunak inherited a deeply fractured Conservative Party at its weakest state since 2010. Three weeks after taking the reins of government, the Sunak administration delivered its fiscal event to the House of Commons amid an increasingly dire economic backdrop. Feeling the weight of an economy left in a severely bruised state by the Truss administration, the Chancellor outlined £55 billion worth of tax rises and spending cuts to maintain market confidence.

Since then, the Government has been plagued with a triad of formidable – indeed, potentially insurmountable – challenges: the ongoing cost-of-living crisis, repeated instances of industrial action, and the growing migration crisis in the Channel. Sunak also finds himself trailing the Labour leader, Keir Starmer, in the crucial question of whom the electorate would prefer to be Prime Minister. Given that this question has been predictive of every election winner since 1979, it is mission-critical for Sunak to reverse Starmer's advantage in the months ahead.

Despite the immense challenges he has inherited, there remains a widely held view among his colleagues that Sunak represents the best possible medicine the Conservative Party could hope for ahead of the next election. But to say that the medicine in question needs to be industrial in strength to remedy the events of 2022 is an understatement. Just three years on from its resounding general election victory, the past 12 months have been nothing short of dire for the Conservative Party.

The Labour Party

2022 has seen a level of political turmoil that has, in some ways, served to eclipse the progress being made by a changing Labour Party that has begun to unveil what it could look like in government. As the year ends, though, signs point to a shift in how the electorate, business, and the Conservative Party now view Labour as a serious contender at the next general election.

Keir Starmer's leadership has been steady and strategic, building on the foundation he set within the party in 2021. He has used 2022 to focus on helping the electorate get to know him and re-engage with his party. In his Conference speech, Starmer pledged that he was "country first, Party second".

Since announcing, in June, that Labour was putting the 2019 manifesto aside and "starting from scratch", we have seen new policies announced and some confident performances from key members of the Shadow Cabinet team. Conference saw the introduction of "a fairer greener future", including the flagship policy to launch Great British Energy, a publicly owned energy company run on clean UK power, delivering jobs and green energy security. Other policies included the Green Priority Plan, targets for 70% home ownership, an expanded NHS workforce, free breakfast clubs for primary school children and 13,000 new police officers and promises to introduce a 'genuine' living wage.

Labour has also published a series of reports that supplement both the practical and ideological elements of their proposals. The most notable – *a new Britain: Renewing our Democracy and Rebuilding our Economy* - was spearheaded by Gordon Brown and, while its recommendations on how to rebuild the regions of the UK will no automatically become Labour policy, they point to a desire from the leadership to draw on the experience and varied thinking in the pursuit of good policy decisions.

Whilst it has been a busy year for Ministerial changes in Government, there has been consistency in Labour's top team with only minor changes across shadow portfolios. The performance of Shadow Chancellor Rachel Reeves at various fiscal events, and against several opponents has been well-received by the media. In facing three different Prime Ministers, Starmer has had to be agile in his approach. For 44 days, during the Truss administration, the policy differences between the two parties were stark. With Sunak now in Number 10, Labour is keen to keep the new PM firmly tied to the decisions of the last 12 years.

Arguably, the biggest step-change over the past year has been Labour's engagement with business. At Conference in September, Starmer set out the three pillars to tackle long-term challenges to the UK's business model: green growth, skills and stability. At the same time, Shadow Business Secretary Jonathan Reynolds published Labour's industrial strategy - *Prosperity through Partnership* - pledging that this would be built by both businesses and the trade unions. The desire to engage has been reciprocated by business with a noticeable uptick in business delegates to both Conference and the recent Labour Business Forum. The key message there was that Labour is back in business and wants to fight the next election on how to grow the economy. To do this, the party claims to recognise the importance of working with business to ensure policy works in practice and impediments to growth are resolved.

The latest Electoral Commission data reveals that, for the last quarter of 2022, Labour has outperformed (albeit marginally) the Conservatives on fundraising. This is critical to Labour's ability to fight the next General Election and an indicator of the momentum behind the party at this point. Alongside this, whilst the gap in the polls has narrowed since Sunak took office, Labour remains an average of 21 points ahead. At the recent by-election in the City of Chester, Labour increased its vote share by 11.2% which is indicative of a narrow Labour majority if a General Election had been held on the same day.

To secure the party on its "election footing", Labour has undertaken a significant restructuring of staff, centralising key policy and communication roles at Labour HQ. Across the country, local parties have completed selections for the new raft of Labour candidates to ensure they have the best chance of building their reputation in the community in time for the country to go to the polls.

Although it feels like the general election is just around the corner, two years is a long time and a lot can change. This is something Starmer ad Labour are keenly aware of, and they have been keen to spell out the danger of complacency. At the same time, Labour must continue to present its case to the nation and not rely on the Conservatives simply losing support. The party must attempt to dominate the political agenda, and the first half of 2023 will prove critical if Labour is to lay the groundwork to take power.

The Liberal Democrats

2022 saw the Liberal Democrats continue their 2021 by-election successes (North Shropshire, Chesham and Amersham), as the party took full advantage of Neil Parish's indiscretions to overturn the biggest majority in by-election history with a shock victory in Tiverton and Honiton. However, as energising as these gains may be the fact remains that the Lib Dems have often struggled to reach double figures in national polls and currently have just 14 MPs in office.

Despite being the only major party unable to hold their party conference this year, due to the passing of Her Majesty Queen Elizabeth, Lib Dem Leader Sir Ed Davey was still able to give a belated 'conference' speech during which he attacked Conservative governance whilst promising support for homeowners struggling to pay mortgages amid rising interest rates and pledging to provide the right to see a GP within a week.

The high point of the year for the party came with May's local elections, in which the Lib Dems gained over 220 new councillors – the biggest net gain of any party. Despite making inroads in the Tory heartlands of Southern England, the extent to which this result reflects a change in national trends is not clear yet.

The Lib Dems will now hope to replicate results across the so-called 'blue wall' of Conservative-held seats with more affluent and higher educated populations that voted largely to remain in the EU. Common among the party's target seats (such as Wimbledon in South London, and Cheadle and Hazel Grove in Greater Manchester) is a high proportion of home ownership, leaving voters in these areas exposed to the impact of recent interest rate rises. Recent polling conducted on the party's behalf suggested a majority of Conservative voters blamed the Government for rising mortgages, compounding the Lib Dems' message that the blue wall is being "hit hardest" by the knock-on effects of an increase in interest rates.

Party insiders point to a run of by-election wins and bold policy pitches as proof the Lib Dems can punch above their political weight. That said, voters may still struggle to identify the party's position on major issues, as recently noted by Sir John Curtice, President of the British Polling Council. While the Lib Dems will be hoping that 2023 is finally the year they translate local successes into national relevance there is still a way to go before this aspiration becomes reality.

Other Parties

Scottish National Party (SNP)

The Scottish National Party began 2022 with Covid-19 still hanging over much of politics, and indeed daily life. In this regard, it was welcomed across Scotland when First Minister Nicola Sturgeon began to reverse many of the restrictions in January, which were brought in before Christmas to stem the Omicron surge.

Naturally, the focus soon shifted from restrictions to recovery and the SNP's manifesto for the Local Elections in May reflected this. Launched in April, it revolved around the post-pandemic recovery, cost-of-living crisis, and building a greener, more sustainable Scottish future. The election results were positive as the SNP exploited criticism of Conservative governance in Westminster to pick up 22 new seats.

In September, the party made its final submissions to the Supreme Court in an application for the constitutional means to hold another referendum on Scottish Independence ideally in October 2023. This was ultimately rejected by the Justices as the Supreme Court unanimously agreed Holyrood has no legal authority to hold a referendum.

The surprise resignation of Westminster leader Ian Blackford on 1 December will make 2023 even more interesting for the SNP. Blackford's successor, Aberdeen South MP Stephen Flynn, has had a busy start to his tenure in having to quell an internal revolt by colleagues angry at his election. Given their referendum setback, the SNP will have to stop the infighting and present a united front if they are to have a chance of ever delivering on their ultimate objective of an independent Scotland.

Plaid Cymru

Following the Co-Operation Agreement with Welsh Labour in May of last year, Wales has been governed by a Labour-Plaid Cymru coalition. This was despite suggestions from leader Adam Price that Plaid would not be the junior partner in a Labour government. In this sense, the local elections in May were a chance to show the electorate that, on a policy level, they could offer something different to Labour.

Plaid campaigned on the local economy, health, and building more sustainable and greener communities. Their manifesto included pledges to offer free school meals for all primary children, free childcare and a commitment to harness Wales's potential for community-owned renewable energy schemes. Plaid won outright control of four councils – the highest number in the party's history. Despite this, the party saw an overall reduction in its share of seats and number of councillors.

What is clear is that the overwhelming aim under Price is not power – it is independence. In his keynote conference speech, Price referenced independence more than 30 times as he shifted the debate towards the actual practicalities of it. With the momentum of YesCymru beginning to wither, there is an impetus in 2023 for the party to start tackling the big questions around how Wales can become independent, and if so, how it succeeds.

Democratic Unionist Party (DUP)

The resignation of Northern Ireland's First Minister, the DUP's Paul Givan, in February, and the party's subsequent hold-out on powersharing in Stormont following their loss in the elections in May means 2022 has been anything but plain sailing for Sir Jeffery Donaldson and his MPs.

In their surprise defeat to Sinn Fein, the DUP's vote share dropped 7% and they lost three seats; despite this, the Unionist parties won two more seats than the nationalists and a marginally higher vote share. Still, this represented the first Assembly election since 2003 that the DUP failed to obtain the most seats. It was also the first time in Northern Ireland's history that an Irish nationalist/republican party had the opportunity to nominate a First Minister.

Given Northern Ireland's power-sharing basis, the DUP as the largest unionist party is constitutionally obliged to nominate a Speaker for the Executive to be formed. Donaldson announced in the election's aftermath that his party would refuse to do so without decisive action on the

Northern Ireland Protocol, and thus failed to reform the executive.

Looking towards 2023, Secretary of State for Northern Ireland Chris Heaton-Harris passed the Executive Formation Act to facilitate more time for the Executive to be reformed. Should there be no agreement then the window can be extended into 2023, with the nuclear option being to call early elections. Given the DUP are unequivocal in their stance on the Protocol, the chances of the Executive resurrecting in the short term appear remote

Sinn Féin

Frustrations with the Conservative handling of the Protocol saw Sinn Féin gain the most seats of any party in the May elections. Leader Michelle O'Neill hailed the results as a defining moment for Northern Ireland's politics and people – calling for an honest debate around a united Ireland.

With Sir Jeffrey Donaldson's DUP refusing to nominate a Speaker to the Assembly, O'Neill has been blocked from becoming First Minister.

Given the DUP's protestations at the Protocol, it seems unlikely that any ground will be given between now and 19 January when the extension ends. The conclusion will be another election. Even so, with opinion polling indicating support for Sinn Féin has grown since May, it is hard to envisage how fresh elections would facilitate the Assembly's formation.

Levelling up and regional devolution

In February, the much-anticipated Levelling Up White Paper arrived. It set out the Government's 12 'national missions' to be achieved by 2030, including commitments to skills, health, and housing. Despite containing no announcements of new money, the White Paper was the start of the Government providing clarity and a defining blueprint for the agenda. However, the political turbulence that has taken place in the intervening period, including the appointments of three different Secretaries of State for the Department for Levelling Up, Housing and Communities (DLUHC) and three different Ministers for Levelling Up, has stifled any meaningful progress on the Levelling Up plan.

The Conservative Party leadership contest, between Liz Truss and Rishi Sunak, shone a light on the potential directional changes that the Levelling Up agenda would see under each candidate. Both publicly gave it their support, but it was clear that it may not continue in its original form. Truss wanted to level up in a "conservative way" with tax cuts and investment zones, whilst Sunak was more ambiguous on detail.

In September, new Prime Minister Liz Truss installed her government, which saw the introduction of several new Ministerial faces, including Simon Clarke MP as the Secretary of State for DLUHC, and 'red-waller' Dehenna Davidson as the new Levelling Up Minister. This signalled a fresh start and direction for the Department, but this proved to be short-lived.

In October, the change to a Sunak administration saw the return of Michael Gove as the Secretary of State at DLUHC. This showed that Sunak was serious about Levelling Up, and quelled some concerns that had arisen during the summer campaign about how he would approach this flagship policy. Again, though, this first, encouraging step has not been built upon. In his first speech as Prime Minister, Sunak publicly reiterated his commitment to Levelling Up, but not much has been said or done since to demonstrate this in action. Sunak has also not shied away from emphasising that the ongoing economic situation will mean there are "difficult decisions to come." This could mean that the fate of the Levelling Up has already been decided, well before it has even had a chance to take off.

Hope could lie in the Levelling Up Bill, but this is a long way from getting Royal Assent and becoming law. Issues over housebuilding targets and local consent over onshore wind farms provide a glimpse of the challenges that must be overcome, and more Conservative backbench revolts will only continue to slow its progress.

In 2023, Sunak Government must show fast and tangible progress on Levelling Up, a key pillar of the 2019 Manifesto. The next General Election is only getting closer, and the Conservative Party will be keenly judged on their Levelling Up progress by those communities that need it the most.

Health and the NHS

In 2022, Covid-19 relinquished its grip on the UK and the focus could turn to building back a crumbling NHS. Or so we thought. Russia's invasion of Ukraine in February has caused a global economic downturn, leaving no extra cash for the NHS and a return to the age-old question: how can we improve the health system itself? The UK has also had four Health Secretaries this year, a particular issue in a job with a remit that is notoriously hard to grasp for its scale and complexity.

Despite these challenges, 2022 did see two significant milestone moments in health policy. The first was a ‘win’ for women. In July, the Department of Health and Social Care (DHSC) published it’s first ever *Women's Health Strategy for England*, a ten-year plan to tackle the gender health gap. The plan includes retraining doctors, upping the number of cancer checks and launching female health hubs, alongside improving access to contraception, IVF, maternity support and mental health services.

The second was DHSC’s policy paper *‘Our plan for patients,’* a package of measures aimed at addressing the deepening crisis in the NHS in England. Announced in September by the then-Secretary of State for Health and Social Care, Thérèse Coffey, the plan is intended to reduce the risk of already overstretched services collapsing this winter amid the anticipated flu & Covid-19 double whammy. It is also intended to complement the NHS Long Term Plan, and its priority areas are clear: ABCDD (Ambulances, Backlogs, Care, Doctors and Dentists). What, or rather who, the plan doesn’t prioritise is nurses which has proved a serious omission amongst staff and unions. This could pose a challenge for the government as nurses, along with ambulance and hospital staff, are set to bring the NHS to a halt in a coordinated walk-out this Christmas.

Looking to 2023, the policy horizon seems more positive. DHSC is setting up an Elective Recovery Taskforce to help the NHS deliver on waiting list targets and help unlock spare capacity in the independent sector, both of which are much needed to properly deal with the backlogs caused by Covid-19 amongst other things. In addition, the current Secretary of State for Health and Social Care, Steve Barclay, recently announced the locations of 19 new Community Diagnostic Centers for tests, checks and scans. They aim to desaturate hospitals and GP surgeries and free up much-needed capacity on the front line. For many, the NHS remains a pillar of the UK’s national identity and social fabric. After three of its hardest years on record, the need for progress and support is clear. For the NHS to survive elements of change might be inevitable but how these are delivered whilst keeping the foundations of the health system in place remains to be seen.

Energy

Security and Legislation

The UK had already been reeling from skyrocketing international gas and electricity prices since mid-2021, but Russia’s unprompted invasion of Ukraine in February 2022 heavily compounded the situation. Western sanctions on Russia and cuts in gas supplies to Europe pushed prices even higher, and as temperatures tumble this winter the cost-of-living crisis is taking hold. Maintaining the UK’s energy security is critical, of course, but doing this without compromising on international obligations or elements of decarbonisation is a thin line to tread.

Following increases in Ofgem’s energy price cap, average annual household bills have for the moment been capped at around £2,500. Studies estimate that by January 2023, over half of households in the UK (15 million) will be in fuel poverty. The situation this year has prompted an extensive response from Government.

In February 2022, realising the gravity of the situation, Boris Johnson’s administration announced support for household bills, including a £200 discount from October 2022. In May, Chancellor Rishi Sunak then doubled this support to £400. This is the release of a British Energy Security Strategy, which included measures to further utilise North Sea gas reserves, remove UK imports of Russian coal and oil by the end of 2022 and seek a 40% reduction in UK gas consumption by 2030. In the Queen’s Speech in May, the Government published an Energy Security Bill to implement many of the Strategy’s measures, however, fluctuations in the Government’s leadership saw progress on the Bill paused. It has now resumed under Rishi Sunak.

In September, Liz Truss’s ill-fated administration outlined a new Energy Price Guarantee (EPG) to replace the energy price cap, as mentioned limiting household bills to an average of £2,500 per year with a plan for this support to last for 2 years. Truss also delivered an Energy Bills Relief Scheme, providing a discount on prices for non-domestic customers and businesses. Both measures were secured by the rapid passing of the Energy Prices Act, which also introduced a Cost-Plus Revenue Limit in England and Wales to reduce the linkage between high global gas prices and the cost of low-carbon electricity.

However, following the fall of Truss and Chancellor Kwasi Kwarteng, the new Chancellor Jeremy Hunt shortened the duration of this support to six months. In November, Hunt then issued his Autumn Statement, where he announced that from April 2023 bills under the EPG would increase from £2,500 to £3,000 for 'typical' annual consumption.

One of the contentions this year has been a debate over the extent to which the energy sector, which has made high revenues from energy prices, should shoulder some of the burden being faced by Government and consumers. Despite initial reluctance, the Government has moved to implement windfall taxes, firstly via the Energy Profits Levy in June. This implemented a 25% surcharge on profits from the oil and gas sector, with this later increased to 35% and extended out to 2028, with the expectation the levy will raise up to £42 billion. In his Autumn Statement, Hunt also imposed a new, temporary Electricity Generator Levy, charged at 45% on "extraordinary profits" from electricity sold at prices above £75/MWh.

The Labour Party had long been pressing the Government to impose these windfalls on the sector and because of energy trending so heavily on the agenda, is now working to frame energy security as a key battleground topic for the next General Election. At its Conference in September, Labour announced ambitious proposals to create a new publicly owned energy company dubbed 'Great British Energy' to drive forward progress on the deployment of renewables and to deliver UK "energy independence from tyrants like Putin." It will be interesting to see how the Party seeks to develop this proposal further into a wider policy map in 2023.

Energy security in 2022 has been a daunting challenge for the Government to confront this year and will remain a significant pressure with no sign of abatement; a major headache for both billpayers and those in the corridors of power.

Net Zero and Renewables

While 2021 was dominated by decarbonisation strategies and COP26 in Glasgow, 2022 has been the year of energy crisis and drastic action to secure the UK's energy supply. The immediate drive behind climate action has waned since Boris Johnson's resignation, but decarbonising the British economy remains a central mission for any future administration.

The Russian invasion of Ukraine has fundamentally shifted the terms of the debate. It has provided an opportunity for the oil and gas industry to position themselves as key to the energy transition, facilitating the UK's security of supply in the near term by reducing reliance on imports of oil and gas. The extent to which it can do so, given the UK is at the behest of a global energy market and the North Sea is a mature basin, is questionable.

Nonetheless, the Government's initial reaction to the energy crisis put oil and gas back on the table. The British Energy Security Strategy, published in April, placed renewed emphasis on fully utilising the North Sea reserve to minimise reliance on imports, but retained a focus on decarbonisation at its heart. It included new targets for nuclear, renewables, and hydrogen, including a new 50GW by 2030 target for offshore wind.

The summer's Conservative Leadership Election represented a clearer break for climate policy. Net zero was up for debate, with leadership challenger Kemi Badenoch, now International Trade Secretary, arguing that net zero by 2050 is an arbitrary target amounting to "unilateral economic disarmament". Below the surface, this debate has taken hold within the Conservative Party, with the competing Net Zero Scrutiny Group and Net Zero Support Group representing opposing views on the UK's decarbonisation commitments.

Liz Truss announced up to 100 new oil and gas licences in the North Sea and put fracking back on the table. A vote on fracking that descended into chaos was, ironically, one of the things that brought Truss down. This issue was symptomatic of the internal debate within the Conservative Party and how hotly contested the UK's approach to decarbonisation has become.

While Truss's time in office was short-lived, some of her policies were not: the new licensing round is still going ahead, although the ban on fracking has been subsequently reinstated. Meanwhile, the Sunak Government has inked a new deal with the US to massively increase American LNG imports, just weeks after this year's COP summit which failed to reach an agreement on the phasedown of fossil fuels.

Looking to the future and the increasing possibility of a Labour government, the opposition has fleshed out its policy on the green transition. Labour has emphasised the need for a "clean energy sprint" to meet the present crisis, but it has strained to not be outflanked by the Conservatives on climate. Targets for 60GW of offshore wind and a net zero power system by 2030 are ambitious to the point of being unworkable.

Their proposal to create a state-backed generator, Great British Energy, is more interesting, raising the prospect of a British equivalent to the likes of Orsted and EDF, co-investing in projects alongside private companies. With the Government obliged to do whatever is needed to keep the lights on, it may well be left to the opposition to drive the climate debate heading into the next election.

Financial Services

With London's status as the global capital for financial services under increasing threat from Amsterdam, Frankfurt and Paris, and a challenging economic situation, financial services have never been higher on the Government's agenda. From January's House of Lords report into Central Bank Digital Currency to the Chancellor's 'Edinburgh Reforms', 2022 has been a busy year.

The Financial Services and Markets Bill continues its passage through Parliament and is a truly landmark piece of legislation. The Bill aims to lay the groundwork for the UK to seize the opportunities of Brexit by revoking retained EU law and implementing the proposals arising from several Treasury-commissioned reviews (Kalifa, Hill, and Austin).

It introduces secondary objectives for the Prudential Regulation Authority and Financial Conduct Authority, requiring them to consider the medium to long-term economic growth and international competitiveness of the UK and to have regard to Net Zero by 2050. Although Government considered, at length, a 'call-in' power, allowing the Treasury to "direct a regulator to make, amend or revoke rules", this was eventually dismissed by the current Prime Minister and his Chancellor, in the wake of widespread industry concerns. The Bill also expands the regulator's powers – over entities previously regulated by Brussels but also over new sectors such as critical third parties, crypto assets, access to cash, and wholesale cash distribution. Regulators have already begun consultation on many of these issues, to act as soon as possible after the Bill is enacted.

Away from the regulatory framework and the Bill, the Treasury Select Committee has spent 2022 looking at issues including the regulation of crypto assets, not least due to the failure of FTX, and concerning anti-money laundering; payments and card fees; the impact of the market turmoil precipitated by the Truss administration's mini-Budget; and the overarching issue of inflation and cost of living. The Work and Pensions Committee also evaluated the impact of pensions exposure to Liability Driven Investments, following the mini-Budget earlier in the year.

The relationship with the EU on financial services has remained uneasy, with the Memorandum of Understanding remaining unsigned. While the EU remains the UK's major financial services partner, international agreements were reached or signed with Japan, Singapore, New Zealand, and Ukraine. This focus on improving trade with other jurisdictions was also highlighted in the 'Edinburgh Reforms', with the Packaged retail investment and insurance products (PRIIPS) consultation explicitly looking at how retail investors in the UK can access a wide-ranging set of investment products from different jurisdictions, with a particular focus on US exchange-traded funds (ETFs).

The 'Edinburgh Reforms' package, a 'Big Bang' moment for the sector, looks to build on the groundwork being laid by the Financial Services and Markets Bill. It includes reforming the ring-fencing regime for banks, overhauling the Senior Managers regime, issuing new remit letters for regulators, and setting out the Treasury's plans for the repeal of EU law, among other things. This, alongside current regulatory consultations, and plans (for example, on crypto, sustainability, and payments) sets the scene for an equally busy 2023, and with regulators already under pressure, this looks set to compound matters. Well-made regulation is rarely a speedy process at the best of times, and the Government's plans are ambitious.

Tech and Digital

The UK is currently undergoing a period of significant change in the digital and wider tech policy landscape following our departure from the EU as well as continuous technological innovation. The digital sector has been heralded by the Government as one of the key high-growth sectors of the economy and in his recent Autumn Statement, the Chancellor declared his desire to turn Britain into the next Silicon Valley. However, to deliver on this ambition and harness the growth potential of the sector quick action is required in the delivery of these promised reforms.

While the Chancellor set an ambitious goal for the digital sector, the vision was not underpinned by practical policy. Nonetheless, more broadly the sector generally welcomed the decision not to introduce the controversial Online Sales Tax as well as the Research and Development Expenditure Credit (RDEC) increase from 13% to 20%, the planned increase in R&D spending and the increase in funding for the UK's 9 Catapults by 35%.

In June, the Government published a long-awaited update to the Digital Strategy which will guide policy in the sector for the foreseeable future. Broad in scope and containing little by way of new announcements, the Strategy brought together the Government's digital policy under six key themes: digital foundations; ideas and intellectual property; digital skills and talent; financing digital growth; spreading prosperity and levelling up; and enhancing the UK's place in the world. As part of the Strategy, the Government committed to bringing forward additional strategies including a White Paper on AI Governance. This is yet to be published, despite the Government's intention for the nation to be an "AI superpower".

Given the significance of the digital and technology industry to the UK economy and the potential for post-Brexit reforms there are several significant pieces of legislation currently in train. The most well-known of these is the controversial Online Safety Bill which has dominated the Department for Digital, Culture, Media and Sports' (DCMS) focus. It recently returned after a five-month delay with significant changes to its scope including the removal of the controversial "legal but harmful" provisions. The Bill's delay was in part due to the political instability in the UK and concerns from free speech campaigners. Despite the changes to the Bill, the Government continues to face criticism from all sides meaning it will have an uphill battle to pass the legislation before the end of the Parliamentary term. The Government has also committed to introducing the Digital Markets, Competition and Consumer Bill to put the Digital Markets Unit (DMU) in the Competition and Markets Authority (CMA) on a statutory footing. This will increase competition in digital markets and introduce measures to tackle 'subscription traps' and fake reviews online.

Finally, the Government is undertaking a significant reform of UK data protection through the Data Protection and Digital Information Bill. The Bill aims to reform GDPR, introduce Smart Data provisions and pave the way for the use of Digital ID, all of which are opportunities to drive efficiencies and technological growth in the UK. The Bill is currently paused to facilitate a period of private consultation with industry following concerns that it could breach the EU data adequacy agreement.

2023 is set to be another packed year, including a review of retained EU law and three substantial Bills to pass. In the context of the economic downturn, there exists the opportunity to harness the power of digital technology and deliver some ambitious reforms, but with an election looming time is of the essence and there can be no missed steps.

The Union

After 24 years of unionist-led administration at Stormont, the May 2022 Northern Ireland Assembly elections saw a republican party, Sinn Féin (SF), become the largest party in the assembly for the first time in its history. Under Northern Ireland's power-sharing system, this meant that SF was entitled to nominate Northern Ireland's new First Minister, with the Democratic Unionist Party (DUP) relegated to nominating the Deputy First Minister.

Despite this, the DUP refused to nominate a Deputy First Minister until their concerns over the Northern Ireland Protocol have been addressed, collapsing the Northern Ireland Executive in the process. Eight months later, the issue is no closer to being resolved, and barring a sudden breakthrough in the New Year, Northern Ireland looks set to hold fresh elections no later than April 2023.

In July, the Lord Advocate for Scotland, Dorothy Bain QC, referred the issue of whether the Scottish Parliament could legislate for a second referendum on independence without Westminster's consent to the UK Supreme Court. Bain wrote in her filing that "The Scottish Government, the Scottish Parliament and the people of Scotland and the wider United Kingdom ought to have clarity on the scope of the relevant reservations on this issue of fundamental constitutional importance".

Following hearings, the Supreme Court unanimously rejected the Scottish Government's case, confirming that the Scottish Parliament is not a sovereign body and that a new referendum would require the consent of the UK Parliament. The Prime Minister, Rishi Sunak, welcomed the "clear and definitive ruling", but Scottish First Minister Nicola Sturgeon, whose government brought the case to the court, accused the UK Government of "democracy denial" and vowed to "find another democratic, lawful means for Scottish people to express their will".

Sturgeon's Scottish National Party (SNP) will now seek to use the next UK General Election as a "de facto referendum" on independence. While there is nothing to stop the SNP from taking this approach, and few alternative avenues remain, it is not without risk.

The SNP has never won an outright majority of the Scottish popular vote and its independence-supporting voter base has been bolstered in recent elections by support from non-nationalist voters. Sturgeon's new strategy will threaten that electoral coalition and incentivise tactical voting along constitutional lines, running the risk that her party underperforms and damages the credibility of the wider independence movement.

As an added threat, there is no requirement for Sturgeon's rivals at Holyrood or Westminster to concede the outcome of what has already been dubbed by opposition politicians and commentators as the "PretendyRef". While this would be controversial, the Supreme Court verdict made it clear that it is not Nicola Sturgeon's right to decide when and how Scotland votes on its future.

Arts and Culture

December 2021 saw the rise of the Omicron variant of the coronavirus and a return to Plan B measures. These included face masks once again becoming mandatory in indoor venues and the revival of the NHS COVID Pass App. For theatres, galleries, museums, and sporting venues this was a frustrating way to finish a year that many were already trying to forget.

Coming into 2022, the Government was under pressure to facilitate the short-term revival of an arts sector that had been badly affected by the pandemic, whilst also having to deal with some larger questions on the future of the UK's cultural identity. Despite these worries, the creative industries contributed £109 billion to the UK economy in 2021 and experienced 6.9% growth between September 2021 and September 2022.

The nation's cultural fabric was changed forever following the death of Her Majesty Queen Elizabeth II just 3 months after her Platinum Jubilee celebrations which had showcased the best of British performance and music. Operation London Bridge, the plan for the Queen's funeral, was another, be it more sombre, opportunity for the country to show off how to do pull-off large-scale state events with dignity and class.

Back in Westminster, the privatisation of Channel 4 was a central tenet of the Dorries/Johnson playbook and, whilst this seems to have been put to bed by recent discussions on new funding models, had it gone ahead would have seen the demise of arguably one of the UK's most important artistic platforms. New Culture Secretary Michelle Donelan has diverged from her predecessor's focus on Channel 4, and instead set her sights on the BBC license fees. Donelan has called it an "unfair" levy and advocated for the funding model to be scrapped.

Although he did not include the creative industries sector as one of his five areas for growth, Chancellor Jeremy Hunt announced as part of his Autumn Statement that the Government will consult on possible tax relief reforms in the entertainment sector. The consultation will include an assessment of the tax reliefs available for film, animation, TV and video games. According to the Government, these reforms would be to 'incentivise the production of culturally British content and support the growth of the audio-visual sectors'. A decision over the future of the BBC and television entertainment funding could be made in 2023 following the long-delayed review, but any new fee plans from the Government will require deft handling of powerful stakeholders in the BBC and across Westminster.

The end of the year also saw the announcements of the next round of Arts Council England (ACE) funding. There has been widespread uproar at criticism at the news that the English National Opera would lose all of its £12.7m of funding and be encouraged to move out of London. The DCMS Select Committee has subsequently taken evidence from ACE's Chief Executive, and representatives from other organisations, and there is hope that a solution may be reached. DCMS has been keen to move funding and focus away from London, but the reaction to the recent funding announcements has demonstrated that this must be done in a considered way rather than via more pugnacious methods.

Transport

The Department for Transport (DfT) had high hopes for 2022, with the Queen's Speech in May confirming the publication of the Transport Bill. The Bill was set to establish Great British Rail (GBR) as the guiding mind for UK rail, alongside promising the much-needed regulatory framework for Autonomous Vehicles (AVs).

Three Secretaries of State later, the Government has stated its intent to present a smaller Bill on the transport technology regulations, with another Bill to specifically reference rail reforms arriving in the next parliamentary session. Despite this, the smaller Bill is yet to appear, and it is now unclear as to when the legislation, in any form, will be bought forward.

Speed of regulatory introduction is key for the AV industry and the Transport Select Committee has also been pushing for urgency on this matter. The changes have also left GBR in a precarious position, with Transport Secretary Mark Harper confirming that any plans have been paused so he can hear alternative views on GBR's formation.

The Department's year has been underlined by the continuous rail strikes, and 2022 will end with more strikes leading up to the festive period after the RMT rejected the most recent pay offer of 5% this year, and 4% next year. The new year will see more pressure on Sunak to bring the Transport Strikes (Minimum Service Levels) Bill to its Second Reading, however, there is widespread concern the legislation will displease the unions even more.

There were sky-high ambitions for aviation this year, with the Government pledging to deliver the world's first transatlantic flight with sustainable aviation fuel by the end of 2023. The Jet Zero Strategy, which was published in July, also saw the UK commit to net zero domestic aviation by 2040. However, these promises were overshadowed by the summer of flight cancellations due to staff shortages across the industry which has stifled the visibility of this important technological commitment.

The UK's road network saw the halting of smart motorways this year, with the rollout now on pause for five years whilst the Government collate data on the safety of the scheme. That said, it's not all negative for transport technology, and despite the lack of AV legislation, the Government announced changes to the Highway Code which now accommodates self-driving vehicles. Alongside this, the Department also published a consultation on its safety ambition for AVs.

The publication of the Government's 'Future of Freight Plan' was an important step for the logistics and haulage sectors, particularly about decarbonisation. There has also been a continued focus on recruiting and retaining HGV drivers through multiple schemes to attract them to the workplace, including improving roadside facilities and an increase in lorry driving tests.

Chaos has followed DfT around this year, and 2023 will be waved in with RMT strikes in the first week of January. Aside from the industrial action, the spotlight in 2023 will be on the delayed Transport Bill, which is much needed to ease concerns about AV regulation and the introduction of GBR.

Education

A year marked by uncertainty and change was exemplified by the fact that the UK has had no fewer than five Education Secretaries over the last twelve months. This turnover was the last thing the sector needed after three years of unprecedented challenges throughout the pandemic. The Government needed to steady the ship, but the reality is that the opposite has happened.

Boris Johnson's Levelling Up agenda shaped the Schools White Paper, which set out sweeping reforms for England's school system and centred on a push for academy trusts to take over the running of schools. The plan faced fierce opposition for giving the Education Secretary a veto over appointments of school trustees, the power to rescind funding agreements and even determine the length of the school day within each trust. This led to a U-turn in June from then-incumbent Nadhim Zahawi.

For most of the year following the gutting of the Schools Bill, the Government's policy on schools sat in limbo, as it was passed between Zahawi's four successors. It was a welcome surprise, then, when Chancellor Jeremy Hunt announced in November that state schools in England will receive a funding boost of £2.3bn a year for the next two years.

However, the funding boost has done little to appease the four major teaching unions in England which are all balloting their members on possible strike action over pay. The National Education Union and NASUWT say that the pay rise given in September – about 5% on average – is inadequate given rampant inflation and the cost-of-living crisis.

Looking forward to 2023, it appears more uncertainty is afoot. Teacher training is likely to be a hot topic, as the number of graduates training to be teachers in England slumped to "catastrophic" levels in 2022, according to the Association of School and College Leaders. The debate on grammar schools is also likely to re-emerge on the national stage, with Rishi Sunak firmly in favour of lifting the Labour ban on new grammar schools.

Higher Education is in a precarious position too, with February marking an overhaul to the Government's strategy on student loan repayment which sees graduates having to make repayments for 40 years rather than 30. The Government's analysis found that women, younger graduates, and those from disadvantaged backgrounds are most likely to be negatively impacted by the policy change, which received the expected public and political backlash. Campaign group Save the Student labelled the measures "among the most regressive yet." This did not deter the Government from making further changes to student loans in April 2022, where a freeze was placed on the minimum salary needed before student loan repayment. May's Queen speech introduced another seismic shift for post-18 education in the form of the Higher Education Bill centred on the introduction of a "lifelong loan entitlement". This would allow people a loan equivalent to four years of university education over their lifetime to fund technical training.

Sunak's potential plan to clamp down on international students taking "low-quality" degrees has left some universities in an increasingly precarious position. This, compounded with inflation, the freeze on domestic tuition fees, pension costs and policy changes on student loans and minimum entry requirements make it likely that students will be affected by course cuts, lower quality teaching or restricted access, or even closures of entire campuses.

DfE has confirmed that A-Level and GCSE grades awarded in 2023 will be lower than in the summer of 2022, as the Department plans to return grades to pre-pandemic levels. The Government has assured students that universities will adjust to lower grades, but many in the university sector have warned that this year will be one of the most competitive on record, with more 18-year-olds applying than ever before. At a time when universities are trying to rein in student numbers after a surge during a pandemic, just how many students will be left disappointed in August 2023 remains to be seen.

Housing and Planning

The beginning of 2022 saw the housebuilding sector struggle with increases in material costs and significant labour shortages. Nonetheless, the sector was confident it could deliver 200,000+ homes during 2022. Evidenced in the ONS report in October, which found the monthly construction output was the highest level of output since records began twelve years ago, increasing 0.8% in volume terms and leading to the fourth consecutive monthly growth.

Turbulence in Westminster inevitably impacted the sector, with the results of rapid changes in government starting to show. The mini-Budget saw mortgage prices increase to potentially unaffordable rates, affecting not just housebuilders but decimating any confidence left in consumers as rose to double-digits. More recently, housebuilders have warned that without support, more customers will be deterred from purchasing a property until more manageable mortgage offers can be secured.

Bringing forward the Levelling Up and Regeneration Bill, ministers were keen to stress that it will deliver much-needed reforms to the planning system, ensuring new development is "more beautiful, produces more local infrastructure, is shaped by local people's democratic wishes, improves environmental outcomes, and occurs with neighbourhoods very much in mind". Starting with reforming how local authorities devise local plans, promising to give communities a 'major say' in local plans and providing them with more opportunity to shape what happens in their areas.

On local plans, the Bill highlighted that 61% of councils do not have an up-to-date local plan, which the Government says leaves communities exposed to development in which they have not had a meaningful say. In response, local authorities will be empowered to demand stronger protections for the environment in local plans, allowing them to make better use of brownfield land and protect the greenbelt sites.

This ambition was reflected in Liz Truss's comments during the Conservative leadership election where she promised to abolish "top-down housing targets". This approach has been endorsed by Rishi Sunak, who recently approved the scrapping of housebuilding targets for local authorities.

Responding to the Bill, Shadow Levelling Up, Housing and Communities Secretary, Lisa Nandy, expressed opposition to the previous proposal of a so-called "traffic light" system and said that Labour had long argued for measures to "make funds available to bring brownfield sites into use". She added, "I know how painful it is for people to see green spaces built on when brownfield sites cannot be used for lack of a small amount of investment to deal with contaminated land and other issues".

She stated that the Bill allows local plans to be overridden when they conflict with a national development management plan and that such a policy would not constitute handing power to local communities. To build thriving communities, Nandy said that the Government must "put power back into people's hands" because "people who have a stake in their own communities and who have skin in the game will do more, try harder, work for longer and be more creative".

The housebuilding industry entered 2022 with material challenges, both literally and figuratively. 2023 will be another tough year as radical changes are required to the planning system to release the 'yes in my backyard' spirit of the British people.

Foreign Policy and Defence

Whilst much of the political focus in 2022 has been on domestic economic issues, foreign policy has become an important factor in the day-to-day lives of people in the UK. The war in Ukraine has dominated the year, bringing mechanised warfare to the European continent for the first time in over seven decades, and high energy prices to households in the UK and elsewhere.

The UK has, under its three Prime Ministers of 2022, positioned itself at the forefront of efforts to support Ukraine repel Russian forces from its territory. Aid totalled £2.3bn, and the signs are that this could well be exceeded in 2023. For former Prime Minister Boris Johnson, his robust support for Zelensky's Ukraine was the one aspect of his leadership that commanded almost universal support. It is no surprise that he made this a central feature of his final few months in office.

For the UK more widely, the war has provided the opportunity to demonstrate its importance to European security. Reflecting on its approach vis-à-vis the vaccine rollout, the UK acted nimbly and quickly getting out in front of its allies on the continent. Although EU member states have caught up, in large part through increases in defence spending, the UK helped to set the early tone and was a key player in establishing the position of NATO and the Western alliance more broadly.

Indeed, the UK's leadership on this issue arguably served as a crucial form of rapprochement between London and the many EU capitals still smarting at the UK's decision to leave the EU; demonstrating that the UK needn't be in the EU to continue making a significant contribution to European security.

Considering this radical shift in the security environment, the UK's 2021 Integrated Review (IR) is already in need of the upcoming refresh, expected in Spring 2023. Although the Government will be keen to continue emphasising the Indo-Pacific tilt as part of its post-Brexit foreign policy posture, there will inevitably be more of a focus on the UK's role in Europe, particularly in the east. Reflecting this shift in priorities, the UK has agreed to a degree of involvement in EU-led procurement programmes.

The updated IR will need not only to establish a route to replenish stockpiles utilised in support of Ukraine but address a fundamental and era-defining shift in the European security dynamic. It will need to do this in the context of an increasingly tight fiscal environment that is exacerbating the Ministry of Defence's longstanding issue with balancing the books. Under Rishi Sunak, the MOD will not be immune to the pressure being placed on departmental budgets. Whilst the ambition to lift defence spending to 3% of GDP remains, it appears unlikely that meaningful progress towards this goal will start in the short term.

Looking forward to 2023, the UK's main challenge will be to continue taking a leading role in the defence of Ukraine whilst balancing books in the UK. The trend towards events abroad having an increasing impact at home looks set to continue and, in this sense, the Government's efforts to protect consumers from higher energy bills over the coming months are a component of its foreign policy.

If the war in Ukraine moves towards a conclusion, the UK, by virtue of its steadfast support for Kyiv, will be an important player in shaping the peace that follows. Whilst 2022 was dominated by facing the challenges of aggression and war, it is possible that 2023 could present new, and potentially awkward, decisions about what a post-war settlement looks like.

International Trade

2022 has been a year of high ambition, but limited success, for the UK's trade relations. Following 2021, which saw agreement reached on new free trade agreements (FTA) with Australia and New Zealand, plus a Digital Economy Agreement with Singapore, was going to be a challenge but the results were underwhelming, to say the least.

The Diwali deadline on a free trade agreement with India, the Government's top international trade priority was missed, and while negotiations will continue into 2023 there is no new target date for the conclusion of the talks. Similarly, a date has not been sent for when the UK will complete its accession to the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP), the 11-member trade pact in southeast Asia. Combined, there is a risk that the UK's independent trade policy, the flagship benefit of the painful Brexit process, is starting to stall.

Without the India deal, the UK's primary trade successes in 2022 comprise a new Digital Trade Agreement with Ukraine, modelled after the deal with Singapore concluded in 2021 but far more politically significant in the context of the conflict. Several Memoranda of Understanding with US States have also been agreed this year, with Indiana, North and South Carolina, a pet project of former Prime Ministerial candidate Penny Mordaunt which looks set to continue under Trade Minister Greg Hands. Making no substantive commitments on market access, these agreements are no substitute for a comprehensive FTA.

The UK Government has also faced increasingly difficult challenges with its closest and most economically significant trading relationship. Fundamental differences with the EU on the Northern Ireland Protocol remain unresolved and dominated UK-EU trade relations in 2022. Intense internal pressure to renegotiate the Protocol to reduce trade barriers across the Irish Sea has come from within the Conservative Party, compounded by a Democratic Unionist Party (DUP) refusing to re-enter the Northern Ireland Executive, which created a protracted stalemate at Stormont. The Government's response, the introduction of the Northern Ireland Protocol Bill, which Ministers admitted breaks international law by overriding aspects of the UK-EU agreement in a 'specific and limited way', was met with widespread consternation and concern beyond solely European shores.

While recent reports have suggested the Bill has achieved the desired result of forcing the EU back into negotiations, it is currently unclear whether a settlement which Sunak's own party, or the DUP, can accept, is on the table. Until then, Northern Ireland will continue to be without a functioning executive and the UK's reputation as a trusted dealmaker is in jeopardy.

Looking to 2023 and beyond, new opportunities for FTAs include a deal with the Gulf Co-Operation Council, comprising the six gulf states. Upgraded, EU+, deals are also in train with Canada, Mexico, Israel and most recently South Korea. Rishi Sunak has made clear the UK's trade policy will rightly prioritise quality over speed, but with 2023 threatening a trade war between the EU and US, and rising protectionism amid supply chain insecurity, leadership on free trade is needed now more than ever.

The UK's international relations

Relations with the EU over the past year have continued to focus on the UK's post-Brexit future and strategic coordination on Russia. Rishi Sunak has attempted to rebuild the UK's soured relationship with Paris, following disgraced comments from his predecessor, Liz Truss who declined to state whether Macron was a "friend or foe". Although rows with the French over illegal migrant Channel crossings have been paused through an interim cooperation agreement, tension across the Channel and the wider European bloc around issues such as Northern Ireland and the future of fixed-term visas remain.

As the EU currently struggles with one of the largest Parliamentary corruption scandals in its history, significant shifts have also taken place within the domestic political spheres of the UK's European counterparts.

While France witnessed the further rise of the far-right vote under Marine Le Pen's National Rally in elections earlier this year, Germany saw the unveiling of a coalition agreement between the Social Democrats, Greens and liberals earlier this month – two tales of differing political trajectories. The latter has sought to capitalise on relaunching post-Brexit ties in recent weeks, with German Ministers engaging in new strategic dialogues in London regarding restoring opportunities for workers. Whether Sunak will build "respectful, mature relationships" with the UK's European neighbours next year as he has said he will, however, is yet to be seen.

While the so-called 'Special Relationship' continues to be seen as a symbolic seal of cooperation across the Atlantic, tensions between the UK and the United States also remain. This is particularly the case regarding the UK Government's approach to the post-Brexit Northern Ireland Protocol, which President Biden has openly criticised. Conflicting views on this issue have been pinned as a key reason for a UK-US trade deal being stalled this year. Moreover, public criticism by Biden, of former Prime Minister Liz Truss's domestic, economic agenda as a "mistake" embodied a clear, public rift between leaders. Unsurprisingly, Labour capitalised on this as a criticism of the Conservative Government's international reputation.

Recent progress, however, indicates a positive future for the transatlantic partnership. The introductory meeting between the Prime Minister and the President at the G20 Leaders' Summit last month set promising grounds for economic cooperation. Recent confirmation of a UK-US liquefied natural gas (LNG) partnership and the creation of a joint action group to reduce global dependence on Russian energy indicates a united front between both states, alongside their support for Ukraine.

US domestic politics will be a determining factor for the future of Biden's policy agenda next year. As ever, he is dependent on working across the aisle in Congress, given the new Republican majority in the House and slim margins by which the Democrats hold the Senate, following a surprising set of midterm election results in November. If there is any movement on appetite for a UK-US trade deal or any wider substantial transatlantic policy, Biden will likely need to seek greater input from his GOP Congress colleagues to achieve this.

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