



# FTI Consulting UK Public Affairs Christmas Snapshot 2023

*Analysis and predictions from FTI Consulting's UK Public Affairs team*



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2024 is the year of the election. More than two billion people will go to the polls in national elections – more than 50% of GDP is represented in the 70 countries that will elect governments next year.

Markets like stability, predictable politics, and elections that run smoothly. I am afraid that 2024 will give you none of these. But awareness of, and thoughts about, what's happening in politics in the sector you care about can help you prepare for what's coming. That is the purpose of the snapshots contained here – and I'm very proud of what the team has delivered for you this year.

Here in Britain, FTI Consulting's most recent polling revealed something quite surprising, which is that amid all the negativity in British politics, a majority of people at every age level of the electorate still say they intend to vote positively – they intend to vote for something, not against something. Less surprisingly, our polling also shows what everyone else's does too – that Rishi Sunak's Conservative Party has a mountain to climb if they are to prove competitive at the polls.

In these snapshots, we take a look at the political and policy positions on offer from the parties seeking to win your vote, and what a different administration in No 10 might look like.

Whatever your business needs in politics and public affairs, in Britain or abroad, the FTI Consulting team stands ready to support you in what is to come – in the busiest and most exciting political year of our lives.

Wishing you and yours a very Merry Christmas.

## Contents

Month by month .....	3
Conservative Party.....	3
Labour Party.....	4
Other parties .....	5
The Union.....	6
Economic and fiscal outlook .....	6
Business and industrial relations .....	7
Financial services.....	8
Digital and tech.....	8
Energy and net zero .....	9
Foreign policy and defence .....	10
International trade.....	10
Immigration .....	11
Health and life sciences .....	11
Housing and planning.....	12
Transport.....	13
Education and skills.....	14
Culture, media and sport.....	14

## Month by month

**January:** The Government outlines a new scheme to support businesses with the cost of energy bills. The then-Secretary of State for Digital, Culture, Media and Sport confirms that plans to privatise Channel 4 have been shelved. The Government announces that it will block the Scottish Parliament's Gender Recognition Reform (Scotland) Bill due to its UK-wide impact.

**February:** Nicola Sturgeon unexpectedly resigns as First Minister of Scotland. The Prime Minister, Rishi Sunak, conducts a Cabinet reshuffle. President Zelenskyy of Ukraine addresses Parliament. Britain and the EU unveil the Windsor Framework as a fix to the unresolved issues of cross-border trade in Northern Ireland.

**March:** The Daily Telegraph publishes a cache of WhatsApp messages from former Health Secretary Matt Hancock. Sue Gray – the civil servant who led the *Partygate* investigation – is appointed as Labour leader Keir Starmer's Chief of Staff. Nicola Sturgeon's husband, Peter Murrell, resigns as Chief Executive of the SNP following accusations of inflating membership figures. Humza Yousaf becomes First Minister of Scotland.

**April:** The Home Office unveils plans to use the Bibby Stockholm barge to house asylum seekers in Dorset. Police Scotland arrests Peter Murrell and Colin Beattie, the SNP's treasurer, as part of its investigation into the party's finances. Beattie resigns the following day.

**May:** The Coronation of Their Majesties King Charles III and Queen Camilla takes place at Westminster Abbey. In the local elections, the Conservative Party loses over 1,000 councillors and control of 48 councils. Sinn Féin becomes the largest political party in Northern Ireland after gaining 39 seats in local elections.

**June:** Boris Johnson stands down as an MP after the Privileges Committee rules that he deliberately misled Parliament over lockdown parties in No 10. Nicola Sturgeon is arrested as part of Police Scotland's investigation into the SNP's finances. The Court of Appeal rules that the Government's plan to deport asylum seekers to Rwanda is unlawful.

**July:** The Conservative Party loses safe seats Selby and Ainsty to Labour and Somerton and Frome to the Liberal Democrats while narrowly holding Uxbridge and South Ruislip. The Business and Trade Secretary, Kemi Badenoch, signs a treaty confirming Britain's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

**August:** The Prime Minister conducts a mini reshuffle, replacing outgoing Defence Secretary Ben Wallace with Grant Shapps and promoting Claire Coutinho to Energy Security and Net Zero Secretary. More than 100 school buildings in England were ordered to close due to the presence of collapse-prone concrete.

**September:** Britain re-joins the EU's Horizon Europe R&D scheme. The Prime Minister announces changes to the Government's net zero strategy and delays the ban on the sale of new petrol and diesel cars from 2030 to 2035.

**October:** The Prime Minister confirms that the West Midlands-to-Manchester portion of HS2 will be axed and unveils plans for a generational ban on smoking and the replacement of A Levels with the Advanced British Standard. The Conservative Party loses the Tamworth and Mid Bedfordshire by-elections to Labour, who also win Rutherglen and Hamilton West from the SNP.

**November:** Britain hosts the AI Safety Summit at Bletchley Park, leading to an agreement with 28 countries on managing the riskiest forms of AI. King Charles III delivers the first King's Speech in 72 years. Suella Braverman is sacked as Home Secretary, triggering a Cabinet reshuffle in which David Cameron returns to frontline politics as the new Foreign Secretary. The Supreme Court rules that the Government's plan to deport migrants to Rwanda is unlawful. COP28 begins in Dubai, United Arab Emirates.

**December:** The Home Secretary, James Cleverly, travels to Rwanda to sign a new immigration treaty which he says addresses the concerns of the Supreme Court. The Prime Minister introduces legislation to express Parliament's view that Rwanda is safe and to prevent future legal challenges to the Rwanda scheme. Mark Drakeford announces his intention to stand down as the First Minister of Wales in March 2024.

## Conservative Party

A year on from what can only be described as its *annus horribilis*, all is still not well for the Conservative Party. Blue-on-blue fighting continues to plague the Government, by-election defeats continue to drain hope and momentum from the wider party, and diminishing approval ratings continue to leave the Prime Minister, Rishi Sunak, on the back foot.

In fact, it has been another year of spiralling decline. At the local elections in May, Sunak presided over the loss of 1,063 seats and the loss of 63 councils. The second half of 2023 saw him suffer four devastating by-election

defeats in Selby and Ainsty, Somerton and Frome, Mid Bedfordshire, and Tamworth. Despite successfully holding onto Uxbridge and South Ruislip, these four defeats shook the soul of the party and seemed to be more than just “mid-term blues”. All political parties are now preparing for a General Election next year, whether in May, June, or sometime in autumn. But if recent voting patterns are anything to go by, the prospect of a fifth term for the Conservative Party looks very distant.

The Prime Minister now has the great challenge of battling two fronts. First, trying to see off revolts within his party. While Boris Johnson may be a slightly more distant memory, the spectre of Liz Truss, Suella Braverman, and their right-wing following still threatens party unity and Sunak’s own leadership. November’s reshuffle provided the Prime Minister with a reset opportunity to remove any unwanted baggage from the Truss administration and to steer the party away from the right. This was epitomised by the surprise return of David Cameron, now Lord Cameron, as Foreign Secretary. However, the party is still fractured, especially over the controversial Rwanda Bill.

The second battle before Sunak is trying to reverse Labour’s strong polling lead. Despite attempts to regain policy credibility with the King’s Speech, the latest polls indicate that the Conservative Party is no longer the most trusted party on the economy, education, or immigration. Even the presence of tax cuts in the recent Autumn Statement – and the promise of more to come – has not brought the polling boost they hoped for and desperately need.

As for Sunak’s five priorities for 2023 set out in January – halving inflation, growing the economy, reducing national debt, cutting NHS waiting lists, and stopping the boats – they have now been succeeded by a new set of five “long-term decisions” announced in November. These are: reducing debt; cutting tax and rewarding hard work; building domestic, sustainable energy; backing British business; and delivering world-class education. Given their more vague, subjective nature, Sunak may find these goals more achievable ahead of going to the country, or at least more easily embellished by spin.

Looking to 2024, Sunak faces several political “health checks” before heading into the most difficult General Election for the party since 1997. Parts of England and Wales will go to the polls in May for local and mayoral elections for the first time since 2021 – a high point for the party under Johnson. All eyes will be on local authorities where the Conservative Party previously

made significant gains, such as Dudley Council and Thurrock Council. Sunak also faces the prospect of two more potential by-elections in Wellingborough and Blackpool South.

However, amid the doom and gloom, all is not lost. Sunak still has time to reverse voters’ judgement on the past 13 years of Conservative rule – or at least on his leadership – with a bold offering of “doorstep gold” at the 2024 Spring Budget. He is expected to begin 2024, though, by stressing the contrast between the Conservative approach on immigration, tax, and welfare, and the approach taken by the Labour Opposition. Whether 2024 will provide him with such a reset where 2023 failed is a separate matter. Indeed, it is the question on which the future of the party, country, and Sunak’s premiership depend.

## Labour Party

Throughout 2023, the Labour Party has sought to forge itself into a government in waiting, pledging a programme of national renewal to an electorate they believe is hungry for change. By-election victories in Selby and Ainsty, Rutherglen and Hamilton West, Mid Bedfordshire, and Tamworth prove there is reason for optimism. However, a failure to win in the Uxbridge and South Ruislip by-election shows the result of the next General Election is not yet sealed.

While this has undoubtedly been another tumultuous year in British politics, the Leader of the Opposition, Keir Starmer, has seemed to take it in his stride. The conflict between Israel and Gaza has arguably been his biggest test so far, with intense scrutiny from every faction of his party. After an initial stumble, he landed on a clear position, backing a humanitarian pause in the region. Labour’s subsequent three-line whip during the Parliamentary vote on a ceasefire in Gaza saw the resignation of 10 of his frontbenchers. However, despite this – and a sizable backbench rebellion – Starmer’s authority remained intact throughout. September’s reshuffle, likely to be the last before the election, saw him reward loyalists, with rising stars Peter Kyle and Darren Jones promoted to the Shadow Cabinet.

Elsewhere, Rachel Reeves has continued to grow into her role as Shadow Chancellor, exuding more confidence with each passing month. Praised as a “serious economist” by former Bank of England Governor Mark Carney, her disciplined messaging on fiscal prudence has showcased the significant change that has occurred at the top of the party. Moreover, the decision to increase

focus on the economy, traditionally a Conservative stronghold, aptly demonstrates both the party's newfound political confidence and the trust Starmer places in Reeves.

The party's annual conference in Liverpool, the most well-attended in history, had two overarching themes this year: renewal and growth. Unlike the Conservatives' time in Manchester, Labour's conference took place without any embarrassments and Starmer confidently delivered his key pledge to the nation that Labour would "get Britain's future back" if given the chance. During the speech, he found himself covered in glitter thanks to a stage invader, but that only served to buoy an optimistic party faithful further.

Meanwhile, opponents have levelled two main criticisms against the Labour leader. First, for his "flip-flopping" on major policy positions. Second, for a lack of detailed policy ideas. However, Labour has now set out many of the policies that will form the basis of its manifesto in the party's National Policy Forum document, which was agreed at its conference. The party will also continue adding to this through several policy reviews in 2024, including a Financial Services Review and reviews on Capital Infrastructure and Public Sector Reform. Given its position in the polls, where it is still commanding leads of up to 20 points, it also appears that such criticisms against Starmer are largely falling on deaf ears.

Despite consistent polling pointing to a comfortable Labour victory in 2024, the party understands that it cannot afford to be complacent. The return of David Cameron to frontline politics demonstrates an acknowledgement from the Conservative Party that it needs to rebuild support in the centre ground, and this could prove a challenge to Labour. However, as political observers continue to ask whether Labour has "done enough", the party will continue to put its own question back to the electorate: Do you want to see more of the same with the Conservative Party, or is it time for change with Labour? Going by current polling, the public's answer seems clear.

## Other parties

### *Scottish National Party (SNP)*

In the sixteen years of SNP control at Holyrood, none can match the political turbulence of 2023. The shock resignation of Nicola Sturgeon in February unfurled into an ongoing fraud scandal that quickly embroiled those at the very top of the party. Unsurprisingly, this overshadowed the divisive leadership contest that

followed. While Humza Yousaf emerged victorious and assumed the office of First Minister, he found himself hemmed in from day one by a party shaken to its core.

As a result, for the first time since the 2017 General Election, the SNP looks electorally mortal. This was on show for all to see during its annual conference in Aberdeen, which was characterised by anxiety, and further catalysed by a resounding by-election defeat in Rutherglen and Hamilton-West. Yousaf would have hoped for a period of relative stability to follow, but the expenses scandal involving his Health Secretary, Michael Matheson, only served to fan the flames.

The First Minister will hope that his first Budget on 19 December will serve as a reset moment. However, he is under significant pressure to plug a £1.5 billion black hole in the Scottish finances, with expectations that he will announce a new tax band for higher earners to counteract the shortfall. Should the First Minister fail to correct Scotland's fiscal woes, he may find that his first budget turns out to be his last.

### *Liberal Democrats*

Following their by-election victory against the Conservative Party in Somerton and Frome, Ed Davey's Liberal Democrats are now focused on a strategy of targeting Blue Wall seats, traditionally Conservative strongholds. This approach is designed to target disaffected voters in the home counties and will rely heavily on tactical voting to unseat Conservative MPs.

The party is determined to portray itself as in "listening mode" in 2024 and plans to go into the election with three key messages: the cost of living, accessible health care, and clean water. The party's campaign will likely be hyper-local and will attempt to replicate the winning elements of its grassroots-driven by-election successes in 2022 and 2023. With a hung Parliament far from an impossible outcome at the next General Election, party strategists hope to double their 15 MPs and position themselves as kingmakers once more.

### *Plaid Cymru*

Plaid Cymru's plan at the beginning of the year was to shift debate towards the benefits and practicalities of Welsh independence. However, as with the SNP, the party has spent 2023 dealing with internal party turmoil instead. Following complaints of a toxic atmosphere in the party, Plaid leader Adam Price commissioned a report into its complaints process, which identified a "culture of harassment, bullying, and misogyny". Price announced his resignation shortly after the report's

publication in May, and Plaid's former Deputy Leader, Rhun ap Iorwerth, succeeded him unopposed in June. ap Iorwerth's party now faces a curious year ahead, with the Welsh Labour Co-operation Agreement set to conclude, meaning Plaid will soon be back in full opposition against the Welsh Labour administration.

#### *Democratic Unionist Party (DUP) and Sinn Féin*

Since February 2022, the devolved administration in Northern Ireland has sat in political purgatory following the resignation of the DUP First Minister, Paul Givan, over the Northern Ireland Protocol. Little has changed in the DUP's approach to negotiations with Westminster over the Executive's collapse, and a restoration deal looks no closer now than a year ago. Despite the Northern Ireland Secretary, Chris Heaton-Harris, stating in November that talks with Jeffery Donaldson's DUP were reaching a crescendo, Sinn Féin – the would-be senior party in power-sharing arrangements – has argued that Westminster has run out of patience and, like them, desires an end to the “merry-go-round” of dialogue.

## The Union

As 2023 draws to a close, the Union finds itself in a much stronger position than 12 months ago. Over the course of the year, separatist parties have floundered and struggled to make headway. Perhaps the highest-profile example has been the deterioration of the SNP's electoral prospects following the departure of Nicola Sturgeon as First Minister of Scotland in March, rendering the prospect of a second referendum on Scottish independence increasingly unlikely. All three major Unionist parties are looking to make gains at the SNP's expense at the next General Election, with Labour standing to benefit the most on current forecasts.

In Wales, the prospect of an incoming Labour administration in Westminster has dampened Plaid Cymru's attempts to make progress on winning support for Welsh independence. Likewise, the resignation of Mark Drakeford as First Minister marks the departure of another high-profile leader with a penchant for criticising Westminster and, on occasion, softly beating the nationalist drum. As for his party, Welsh Labour continues to enjoy considerable polling leads for Westminster elections while Andrew RT Davies' Welsh Conservatives remain in clear second place, leaving the separatists a distant third.

In Northern Ireland, last year's deadlock at Stormont continues, with the DUP refusing to return to the Executive without further assurances from the British

Government on Northern Ireland's place in the British internal market. The Windsor Framework, agreed by Britain and the EU in early 2023 to address concerns over the Northern Ireland Protocol, was not enough to satisfy the DUP. However, the Secretary of State for Northern Ireland, Chris Heaton-Harris, remains hopeful of a resolution soon, telling the BBC in November that the number of remaining issues was “ever-diminishing”.

While speculation over a possible Spring election continues, what is certain is that May 2024 will see voters in nine combined authority areas, as well as Greater London, go to the polls to elect mayors. Three of these mayoralties, in the East Midlands, North East, and North Yorkshire, are new positions. These elections, along with council elections held on the same day, will be a key test for the Prime Minister, Rishi Sunak, ahead of the next General Election.

The Conservative Party will be hoping to defend mayoralties in Tees Valley, where it has made considerable inroads since 2017, and the West Midlands, where Sunak faced an uncomfortable October confrontation with Conservative Mayor Andy Street over the scrapping of HS2. It also hopes to win the new East Midlands mayoralty, where Conservative MP and Nottinghamshire County Council Leader Ben Bradley is hoping to pick up a third job. Elections will also be held across England to elect Police and Crime Commissioners.

## Economic and fiscal outlook

Of the five priorities that Rishi Sunak's set out in January 2023, three revolved around turning the economic tide: halving inflation, growing the economy, and reducing national debt. With inflation running at 10.1% that month, it was this pledge that grabbed the headlines. The Government pointed to factors outside its control for the spike, namely Covid and Ukraine, and argued that iron discipline was needed to set it into reverse. However, sceptics pointed out that such an ambition was akin to pledging that there would be more sun in the summer than in winter, and that the pledge did not constitute ambition at all. But the point of the speech was more immediate and political: to show that the Government was providing much-needed stability.

Ten months later, corks popped in Downing Street as the Bank of England reported that inflation had fallen to 4.6%, with the central projection of a return to the Bank's 2% target by the end of 2025. This came just in time for the Autumn Statement in November, where the Chancellor, Jeremy Hunt, was also able to point to

forecasting by the Office for Budget Responsibility (OBR) that debt would fall over the forecast period and the economy would grow by 0.6% in 2023 and 0.7% in 2024. He noted that one year previously, the OBR had forecast a recession for 2023. However, it was left to the Shadow Chancellor, Rachel Reeves, to note that the OBR had simultaneously downgraded growth forecasts for 2024, 2025 and 2026 – a point validated last week when data revealed a surprise 0.3% economic contraction for October. Still, annual growth is still growth, no matter how anaemic.

Even the most data-driven of Chancellors knows that perception matters more than percentage points. Do voters feel better off? Do they believe that the management of the economy is in the right hands? For much of the year, the Government doubled down on its post-Truss narrative by making the economic messaging all about stability. That changed a few weeks before the Autumn Statement when the Chancellor and Prime Minister changed tack, argued that the economy was “turning a corner”, and announced a surprise package of tax cuts.

A headline 2% cut to the main rate of employee National Insurance contributions will take effect in early-election-friendly January. This came alongside the “full expensing” regime for capital investment being made permanent beyond the initial three-year period set out in March, reforms to self-employed National Insurance, and an increase in the National Living Wage. While commentators were quick to point out that, as fiscal drag pushes more taxpayers into higher-band thresholds, the Exchequer will raise an additional £45 billion by 2028-29, this exercise by Hunt was a clear effort to show the electorate some red meat.

It was also a trap for a Labour Party looking to outflank the Government on fiscal responsibility. Given the economic realities that they stand to inherit should they win the next General Election, the Labour leadership knows that much of what their activists desire would be undeliverable without tax rises. That is precisely why the Government is relentlessly asking how Labour will fund its £28 billion green investment pledge, and why Labour is holding such a tight line on making no unfunded policy announcements.

The economy undoubtedly moved towards stability in 2023. Whether voters feel they are benefiting from it is quite another matter. That will be a major factor for Sunak and Hunt when it comes to deciding the economic platform on which they fight the forthcoming election. At

present, persistently weak polling, even in the light of numerous set-piece announcements, reveals no easy option – and the growth figures simply aren’t good enough to make the economic case clear-cut for the Conservative Party.

## Business and industrial relations

2023 should have been a year of renewed business optimism following Rishi Sunak’s appointment as Prime Minister: a Goldman Sachs alumnus noted for his technocratic approach to handling business and the economy, taking over from a predecessor whose economic and business strategy had imploded almost as soon as it was launched. Just last month Sunak said: “With new funding pouring into key industries like clean energy, life sciences, and advanced technology, inward investment is creating high-quality new jobs and driving growth right across the country.” The reality, however, is a mixed picture.

The latest figures suggest that business investment in Q3 of this year was up just 2.8% on the same period in 2022. Business investment in Britain appears to be playing catch-up with international peers, and in the last year France has overtaken Britain as the top destination for foreign direct investment in Europe. Productivity has also flatlined since the global financial crisis, only growing by 0.6% between 2011 and 2022. What’s more, Britain is increasingly dependent on a small group of high-performing firms to drive productivity growth – the most efficient 10% of businesses were responsible for almost two-thirds of labour productivity growth between 2011 and 2019.

That picture has not been helped by ongoing industrial action across a range of sectors including the railways, bus network, postal service, civil service, education, and the NHS. The consequences have been stark, with ONS data concluding that industrial action cost the British economy £243 million in the first quarter of this year from lost working days alone.

The picture is not all negative, though. Railway workers have recently accepted a pay offer, ending months of misery for commuters, and there are more reasons for optimism too. In November, the Government’s Global Investment Summit (GIS) welcomed more than 200 CEOs and investors, and more than £29.5 billion of new projects and capital was announced – triple the amount raised at the previous GIS in 2021. The Autumn Statement also provided a welcome relief to business when the Chancellor announced that the “full

expensing” regime would be made permanent. This allows firms to deduct the full investment costs from their taxable profits rather than spread them over multiple years.

Despite these positive moves, business craves certainty, and 2024 is unlikely to provide it. With a General Election looming, investment will likely remain subdued until the electorate decides whether to give Britain five more years of Conservative administration, or a new Labour government.

## Financial services

Britain is in the middle of the most significant period of regulatory change in the financial services sector since the global financial crisis. The continuation of the Edinburgh Reforms, the Financial Services and Markets Act (FSMA), the Mansion House reforms, and the Autumn Statement have all shown the Government’s intention to preserve and strengthen Britain’s status as a global financial centre following Brexit. What has also been remarkable is that most of the reforms have enjoyed bipartisan support.

FSMA contains many substantial, but somewhat disparate, measures that will produce a major overhaul of the regulatory framework. The Act introduces new secondary objectives for regulators to facilitate the growth and competitiveness of the economy. This is backed up by changes to enhance scrutiny over the regulators themselves and provide more powers for Parliament to hold them to account.

Pensions have dominated the focus of the Government this year. Inflation and cost-of-living pressures, net zero targets, and last year’s liability-driven investment blow-up have meant that attention has turned to pensions, and the contents of pension funds, in an attempt to stimulate growth. The Mansion House reforms are a set piece in this agenda, which most notably included a voluntary agreement between a number of Britain’s largest defined contribution pension providers to allocate an additional 5% of assets in their default funds to unlisted equities by 2030. The Autumn Statement built on these reforms, with the Government announcing plans to establish “pot for life” pensions, allowing individuals to choose where their employers pay their pension contributions.

Britain has also continued to push ahead with sustainable finance commitments, with its Green Finance Strategy update and the Transition Taskforce

publishing its final disclosure framework. The latter part of the year also saw the Financial Conduct Authority publish its long-awaited policy statement on sustainability disclosure requirements.

Payments have also had growing attention, much of it stemming from discussions around the future of open banking, leading to a busy year for all those involved with open finance and culminating in the Future of Payments Review, chaired by Joe Garner. We can expect more activity in this space in 2024.

However, 2023 has concluded with the Treasury Select Committee labelling the Government’s Edinburgh Reforms a “damp squib”, despite significant progress being made on implementing the remaining recommendations of the Wholesale Markets Review, as well as the Government consulting on significant reforms to the British listing regime.

Meanwhile, in HM Treasury, Bim Afolami becomes the second Economic Secretary this year and has limited time to grow into his position in 2024. Given the direction of travel is already firmly set by the Prime Minister and Chancellor, he is likely to continue to prioritise reforms that will boost economic growth, using the FSMA to move forward on key secondary legislation that will permit regulatory reform.

## Digital and tech

Capitalising on digital technology to unlock Britain’s anaemic growth has been a cornerstone of Rishi Sunak’s premiership in 2023, with artificial intelligence (AI) at the forefront of the agenda. The Prime Minister sought to position the country at the helm of international AI safety regulation as a means of ensuring Britain’s relevance in the sector and securing his own legacy.

Despite the setbacks in the run-up to the AI Safety Summit in November, it was widely considered a success for both Britain and for Sunak personally. Key achievements included the world’s first global AI safety agreement, which included China; an agreement with leading AI firms to test their models before release; and the creation of an AI Safety Institute that will facilitate testing in Britain. However, while the Prime Minister has helped put Britain firmly at the centre of the international AI safety agenda, it has fallen behind on domestic regulation. In December, the EU agreed the world’s first dedicated AI legislation: the AI Act. Meanwhile, the British Government has yet to publish its response to the AI White Paper. When published, this will



serve as a key test of whether Britain can produce leading domestic proposals, or whether it will shift towards the EU's risk-based model.

Returning to the beginning of 2023, in February the unapologetically pro-tech Prime Minister cemented his vision for technology-driven growth by creating a new department: the Department for Science, Innovation and Technology (DSIT). As set out by its Science and Technology Framework, DSIT's goal is to make Britain the most innovative economy in the world. Key to achieving this will be the five identified critical technologies: AI, engineering biology, future telecoms, semiconductors, and quantum technologies.

In line with achieving this lofty goal, DSIT had a heavy legislative programme. A significant achievement in 2023 was the passing of the Online Safety Act. In December, it was reported that Sunak is considering launching a review on limiting social media access to under-16s. But given that any policy change is unlikely to materialise before the election, attention will turn to the regulator, Ofcom, to determine the Act's final provisions and enforce the regime effectively.

However, before the end of this Parliamentary session, the Government will be under pressure to pass two further significant pieces of legislation: the Data Protection and Digital Information Bill, and the Digital Markets, Competition and Consumers Bill. With the additional powers granted to it under the latter, the Competition and Markets Authority (CMA) is expected to deepen its focus on digital competition following on from its approval of the Microsoft-Activision deal.

Overall, 2023 marked a significant step change in the Government's digital policymaking. But for Britain to live up to the Prime Minister's ambition of becoming a technology superpower, significant progress needs to be made in 2024.

## Energy and net zero

As global oil and gas prices remain stubbornly high, a COP hosted by the United Arab Emirates – specifically by the CEO of the Abu Dhabi National Oil Company, Sultan Al Jaber – was always going to be a litmus test for the net zero consensus. As expected, it started with controversy. On day two, Al Jaber said there was “no science” behind the phase-out of fossil fuels, prompting international outcry. Whether an off-hand and unintended remark, or a strategic decision to set the parameters of the conference, COP28 turned out – somewhat surprisingly –

to be a huge success. Nearly 200 countries agreed to transition away from fossil fuels for the first time. However, here at home, the net zero consensus seems less certain.

2023 was an important year for Britain to make progress on the green agenda before election fever grips Westminster. Chris Skidmore's Independent Review of Net Zero underlined the importance of this opportunity, concluding that the long-term risks of failing to decarbonise outweigh the costs of investing in net zero today. However, while billpayers face an easier winter than last in terms of energy prices, the Government's commitment to the green agenda has only become increasingly hazier.

Since legislating for net zero by 2050, the Government has published a range of decarbonisation strategies. March saw the Government release its Powering Up Britain strategy, tying energy security and growth into the green agenda, alongside a Green Finance Strategy. We have also seen progress on overcoming clean-power deployment barriers, with an Electricity Connections Action Plan. However, while Ministers may wax lyrical about their green credentials, much of 2023's announcements represented pre-existing commitments and failed to deliver significant new funding.

Meanwhile, the Conservative Party's surprise hold in the July Uxbridge and South Ruislip by-election, campaigning against the expansion of London's Ultra Low Emission Zone (ULEZ), has led to a calculation among Conservative strategists that there may be votes in slowing the pace on net zero. In September, the Prime Minister, Rishi Sunak, leaned into this political calculation and went into reverse on numerous environmental policies, including delaying the ban on the sale of new petrol and diesel cars, in order to deliver a “pragmatic, proportionate, and realistic approach... that eases the burdens on working people”.

How much cut-through this will have remains unclear. Opinion polling in July showed that 57% of 2019 Conservative voters who intend to vote Labour think that the Government is not investing enough in the green economy or taking sufficient action on climate change. Similarly, Ipsos polling in September found that voters are split on whether the Government is right or wrong to delay or cancel its policies for reducing emissions.

Sensing opportunity, Labour has doubled down on its rhetoric around net zero, including with its Green Prosperity Plan, which pledges to make Britain a “clean

energy superpower". However, given the economic backdrop, they too have been more cautious on policy pledges with expensive price tags. While the party has reiterated plans to deliver its Great British Energy company and aims for a 2030 net zero electricity system, Labour's plans to borrow £28 billion a year to invest in green jobs and industry – a key Conservative area of attack – have been watered down in a bid to demonstrate fiscal prudence.

## Foreign policy and defence

As the war in Ukraine developed into one of slow attrition throughout 2023, so it fell from the front pages. Though not always to the Government's advantage, domestic priorities reasserted themselves – at least until the October 7 massacre. Renewed conflict in Israel and Gaza has sprung international affairs back to the political forefront. As a result, Britain heads into an election year with national security high on the agenda.

David Cameron's return to frontline politics in November as Foreign Secretary was as bold as it was unexpected. He no doubt expects to take his place on the international stage in a manner befitting his former office, with his first visits unsurprisingly being to Kyiv and Jerusalem. The Government hopes that his return may prove a vote winner in Blue Wall seats, but what progress Lord Cameron can make in foreign affairs within the next 12 months remains to be seen.

The earthquake in international security this year demanded more prosaic policy attention too. March saw the publication of a refreshed Integrated Review of national security and international policy, the prior version barely two years old. An inevitable shift of emphasis back towards Euro-Atlantic security did not come at the expense of the vaunted Indo-Pacific tilt, though. Sceptics may doubt the strategic utility of a foreign policy of "everything everywhere all at once", but few contested the need for a renewal of underpinning strategic partnerships.

For defence, cash ultimately remained king. An additional £5 billion, much of it to replenish weapon stocks gifted to Ukraine, was far less than the £11 billion demanded by former Defence Secretary Ben Wallace. In retrospect, this signalled the beginning of his protracted departure from office. Once irreplaceable around the Cabinet table, his failed bid to become the Secretary-General of Nato – neutered by Presidents Biden and Macron – saw Wallace's number up. Overshadowing the publication of the Defence Command Paper refresh in

July, he announced his resignation just as the reiteration of Britain's strategic international ambitions was recoupled with concerns about how to fund them.

Sunak's appointment of Grant Shapps as Wallace's replacement was one of both continuity and control. The mantra of attaining defence spending equivalent to 2.5% GDP "when conditions allow" has remained. But with the National Audit Office declaring that the Ministry of Defence's 10-year Equipment Plan is once again unaffordable – with a forecast deficit of £16.9 billion – Shapps' instruction is to strike a more conciliatory tone with HM Treasury on how to fix the problem than the approach preferred by his tub-thumping predecessor.

Worries over budgets will therefore continue to provide rich pickings for the Opposition into 2024. While Labour's promises to rejuvenate strategic alliances, reform procurement, and support British industry do not in themselves constitute a plan, they strike a tone that resonates with the part of the electorate that cares about defence, which threatens encroachment on territory considered the most solidly Conservative of all.

## International trade

Britain's headline trade success for 2023 was its accession as the 12<sup>th</sup> member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), an ambition first identified in 2018. Despite the Government's own – albeit static – analysis estimating that the CPTPP will add a mere 0.08% boost to GDP after 10 years, the diplomatic dividend alone is significant. Britain is the first new member to join the CPTPP, adding the world's sixth largest economy to the pact. Its firm line on China will also be welcomed by other members keen to hold this aspirant member to high standards.

CPTPP membership in March was unlocked after the Prime Minister, Rishi Sunak, unveiled the Windsor Framework, the third iteration of post-Brexit trading arrangements for Northern Ireland. Unlikely to be the last, the framework was nevertheless well-received, with an agreement for separate red and green lanes for goods arriving in Northern Ireland from mainland Britain, easing the operation of the Northern Ireland Protocol. Crucially, it led to the Government abandoning the international law-breaking Northern Ireland Protocol Bill and also to an uptick in relations with the EU.

Britain's broader trade agreement programme has not been as successful this year. Although four new Memoranda of Understanding with US states

Washington, Utah, Oklahoma, and Florida create opportunities for conversations around market access, they are still thin substitutes for a full US-UK free trade agreement (FTA). As for the broader suite of FTAs under negotiation, India and the Gulf Cooperation Council are the only jurisdictions with whom Britain lacks preferential trading arrangements. Neither of those agreements looks close to the finish line. Britain also launched negotiations on a new investment treaty with Singapore this year to replace the existing bilateral. However, the looming threat of the first substantive investment treaty claim against Britain, brought by Huawei after its exclusion from the 5G network, may limit enthusiasm for a new pro-investor treaty.

Looking to 2024, Britain faces several trade policy challenges. Elections both in India and here at home could either force the conclusion of the FTA or delay it indefinitely. The Government is also yet to respond fully to the competitiveness challenges arising from the massive subsidy programmes enabled by the US' Inflation Reduction Act or the European Green Deal. Following the next election, these are the challenges that Labour's Jonathan Reynolds would inherit as Business and Trade Secretary if his party takes the reins of government. With Labour also committing to Britain's first post-Brexit Trade White Paper, 2024 could therefore be a transformative year for trade policy.

## Immigration

Unveiling his five priorities at the beginning of the year, the Prime Minister, Rishi Sunak, made a bold commitment to "stop the boats". This demonstrated his determination to tackle the intricate public policy challenge of reducing net migration and discouraging migrants from using what the Government considers to be "illegal, dangerous, or unnecessary methods" to enter Britain. Undoubtedly, Sunak recognises that success in this endeavour could be a linchpin in his party's electoral strategy, helping to rebuild its position and resonating with pivotal voters in battleground constituencies ahead of the next election.

Consistent polling demonstrates that immigration remains a political weapon to be seized, with recent YouGov polling revealing that one in five Britons considers immigration and asylum a top issue. Notably, 2019 Conservative voters, primarily from Red Wall seats, identify immigration as their top policy concern. This backdrop highlights the significance of Sunak's ambition and the political stakes tied to its success.

However, 12 months on, Sunak's ambition remains just that. The Prime Minister continues to grapple with internal party divisions over the contentious Rwanda policy inherited from former Prime Minister Boris Johnson. The collateral damage includes the departure of Home Secretary Suella Braverman and Immigration Minister Robert Jenrick, revealing the fault lines within the Conservative ranks.

Sunak's proposed emergency legislation, the Safety of Rwanda Bill, attempts to address the concerns raised by the Supreme Court on this issue. However, despite these efforts, internal dissent persists. Those on the right wing of the party advocate bypassing international human rights laws to expedite the deportation flights, while centrists balk at any compromise on legal principles. Amid the division, Sunak successfully quelled a potential rebellion in the House of Commons, securing a relatively slim majority of 44 for the Second Reading of his emergency legislation. But this victory only deferred the challenges now awaiting him in the new year.

Balancing the intricacies of immigration policy with human rights considerations remains an arduous task for Sunak and the new Home Secretary, James Cleverly. Compromise will be necessary, yet navigating the delicate equilibrium between appealing to the Red Wall with right-leaning policies and making gains in the centrist Blue Wall will prove to be a precarious job and risks resulting in an unconvincing proposal opposed by both sides. Compounding this is the hefty financial investment – £240 million – already poured into the policy with little to show for it, a notable concern amid economic strains.

However, despite inheriting this policy from his predecessors, the Rwanda plan carries a personal significance for the Prime Minister. Failure to deliver would overshadow Sunak's tangible achievements since becoming Prime Minister and relegate him to even riskier territory ahead of the General Election.

## Health and life sciences

As the next election approaches, the health and life sciences sector ranks highly on both major parties' agendas, with polling showing that health is among voters' top priorities. The Conservative Party has committed to cut NHS waiting lists, while the Labour Party has pledged an NHS fit for the future. With waiting lists remaining high, the past year blighted by industrial action, and a tight public purse, these ambitious goals are no mean feat. The Prime Minister will welcome

December's news that waiting lists are beginning to fall, albeit at a very modest rate, but this is likely to be a temporary deviation that will soon reverse.

Despite these challenges, 2023 saw the introduction of substantial health policies. The NHS Long Term Workforce Plan was designed to tackle the NHS capacity issues, focusing on retaining existing workers, deploying technology, and increasing recruitment. The Major Conditions Strategy, announced in early 2023, is yet to be published, but its framework commits to improving outcomes across six areas: cardiovascular disease, chronic respiratory diseases, dementia, musculoskeletal conditions, cancer, and mental ill-health.

For its part, Labour has pledged to prioritise NHS reform through technological transformation, prevention over intervention, and a focus on bringing care back into the community. Following recent trips to Singapore and Australia, the Shadow Secretary of State for Health and Social Care, Wes Streeting, praised the innovation used in their respective health services while criticising the "waste and inefficiency" he saw here at home. He demanded that the NHS provide better value for taxpayers' money and accused the service of using every winter crisis and challenge it faces as an excuse to ask for more money.

This year also saw the Government announcing the "smokefree generation policy", which will make it an offence for anyone born on or after January 2009 to be sold tobacco products. A bold measure intended to eradicate smoking and reduce the pressure of smoking-related illnesses on the NHS, the policy is not without its critics. Those on the right of the Conservative Party criticise a perceived attack on personal freedom, and many question the feasibility of such a measure.

In New Zealand, the former Labour administration's attempt to introduce a similar ban was recently thwarted before it came into effect as part of the National Party's coalition agreement with New Zealand First. However, if such a ban becomes law here, it is unlikely to be repealed by a future Labour government, with Streeting stating in January – before the Government announced its proposal – that Labour would consider following the previous New Zealand administration's lead. As such, if Sunak's policy survives a Conservative rebellion, it is likely to be safe at least for the foreseeable future.

2023 also saw the Prime Minister proclaim that Britain would become a science superpower, with the Government pledging further support for the sector. In

May, the Chancellor announced the Life Sciences Growth Package, with a £650 million investment in the life sciences industry. Clinical trials were put centre stage, with the Government commissioning the Lord O'Shaughnessy Review to develop recommendations designed to reverse the decline in clinical trials held in Britain. The Government has since committed to implementing all recommendations, backed up by £121 million. Industry now waits with bated breath to see whether these policies will achieve the desired objective.

However, despite these investments, relations with the life sciences sector were strained this year as intense negotiations about the voluntary scheme for branded medicines pricing and access (VPAS) dragged on. Finally settled in November, the new five-year deal – now called the voluntary scheme for branded medicines pricing, access and growth (VPAG) – is intended to save the NHS £14 billion while at the same time protecting innovation and research in the sector.

With the implementation of the Major Conditions Strategy, 2024 will hopefully see the shoots of improved outcomes for patients. But with both the Government and Labour Party claiming to be champions of the NHS and life sciences sector, the combination of little money, high expectations, and a health service perpetually in crisis likely means more turbulence ahead.

## Housing and planning

Cycling through three Housing Ministers this year alone suggests that housing and planning is low on the Government's priority list. But be under no illusion, the chronic undersupply of housing in Britain will be a key political battleground at the next election.

In the Autumn Statement, the Chancellor announced the creation of new housing quarters in London, Leeds, and Cambridge, pledging thousands of homes in some of the country's most undersupplied cities. Hunt also promised to reform the planning system, arguing that it takes too long to approve applications and that businesses are willing to pay more if there is a guarantee that decisions will be swifter. He promised the introduction of a new premium planning service across England, with guaranteed accelerated decision dates for major applications and fee refunds when these are not met.

On the legislative front, 2023 has seen the Government introduce and pass several important pieces of legislation relating to housing. Among these are the Renters (Reform) Bill; reforms to leaseholds announced

in the Autumn Statement; and, most importantly, the Government's flagship Levelling Up and Regeneration Bill, which received Royal Assent in October. The Government made several changes to the Bill from its original draft, including the abandonment of a target to build 300,000 homes per year, a move encouraged by a small group of so-called "Nimby" Conservative MPs. During the Bill's passage through the House of Lords, the Government announced that it would seek to reduce environmental obligations on housebuilders by amending the Habitats Regulations which underpin nutrient neutrality. Its hope was that this would encourage more housebuilding. However, this was rejected by the House of Lords, with Labour voting against the Government's amendment.

Despite this, the leader of the Labour Party, Keir Starmer, announced in March that planning reform would be at the heart of his plans to grow the economy if Labour were to win the next election. During his speech to Labour Party Conference, Starmer pledged to "bulldoze through" England's planning system, warning that without action home ownership would become a "luxury for the few". He later described himself as a "Yimby" and committed to building 1.5 million new homes and creating two new towns during Labour's first term.

While there is optimism that both major parties are growing serious about addressing Britain's housing crisis, industry confidence is still teetering following last year's mini-Budget, which saw mortgage prices rocket. Coupled with the delay to the Future Homes Standard consultation and the lack of a long-term strategic plan for housebuilding, it is likely that Britain is still far from resolving the crisis in its housing supply.

## Transport

The transport sector was marked by several major events in 2023. The key headline grabber was the Prime Minister's cancellation of the northern leg of the High Speed 2 (HS2) rail project. Set to be Europe's largest infrastructure undertaking, it had survived all administrations of the past 14 years, propelled through the Cameron administration as a pillar of the Northern Powerhouse project, and later the Johnson administration as part of his levelling up agenda. However, as costs ballooned from £37.5 billion to over £71 billion, so did the controversy.

Bounced into announcing his decision to scrap the northern leg from a former railway station in its terminus city of Manchester, Rishi Sunak cited a change in the

facts. In its place, the Government said that "every pound that would have been spent" extending HS2 would be invested into "Network North" – a new programme of transport improvements worth over £36 billion.

However, criticism was swift to arrive, and it came from both sides of the political spectrum. Former Prime Minister David Cameron sounded the alarm on what he described as a departure from a long-term, cross-party consensus. That he accepted a position in the Cabinet as Foreign Secretary only weeks later shows just how quickly politics moves on. But the disapproval of regional leaders such as the Labour Mayor of Greater Manchester, Andy Burnham, and the Conservative Mayor of the West Midlands, Andy Street, is set to persist. They underscored concerns about the opportunity costs of cancelling HS2's northern leg. However, don't expect the Labour Party to commit anytime soon to reinstating a project of this scale and expense.

Meanwhile, the Government's draft Rail Reform Bill announced in the King's Speech received a lukewarm response. The proposal finally brings forward measures for the creation of Great British Railways. Once the flagship Conservative programme for rail reform, appetite for the plan nevertheless looks less than enthusiastic, even from the Conservative benches.

In contrast, progress on the long-vaunted Autonomous Vehicles Bill has suddenly taken off. Seen as a crucial step for Britain to remain competitive in the global self-driving vehicle industry, the Government's goal is to expedite the passage of the Bill, aiming for Royal Assent before the 2024 summer recess in order to demonstrate a pro-innovation regulatory environment.

However, in what was viewed by much of the automotive industry as a backwards step, Sunak rolled back on electric vehicle targets by delaying the introduction of the ban on sales of new petrol and diesel cars from 2030 to 2035. The delay – largely seen as politically motivated following the Uxbridge and South Ruislip by-election victory – caught the sector by surprise, with some in the industry openly criticising the move and arguing that it would undermine plans and risk future investments. In a similar nod to drivers, Transport Secretary Mark Harper has been making critical noises about 20mph zones and low-traffic neighbourhoods.

18 months on from the publication of Britain's Jet Zero Strategy, 2023 also saw Virgin Atlantic's first transatlantic flight using 100% sustainable aviation fuel (SAF) in November. This milestone, partially funded by the

Government, was complemented by a pledge by Harper to continue support for Britain's SAF industry.

## Education and skills

In the spring of 2023, the Prime Minister unveiled his ambition to ensure that every young person studies maths up to the age of 18. This provided the first of a long string of novel education policies from the Government, including scrapping "low-value" degrees and banning the use of mobile phones in schools. As anti-grade inflation measures led to falling results, teacher strikes and shortages pushed on, and schools literally crumbled at the hands of the RAAC, the Government – facing waning public support – resorted to increasingly populist measures designed to grab attention.

Sunak's meatiest announcement was his plan to introduce a British baccalaureate – the Advanced British Standard – as a replacement for A Levels. The plan takes a bold step to widen the post-16 curriculum, which is narrow by international standards. The concept may have legs, but with no plans to address chronic underinvestment in sixth form education, Sunak may have bitten off more than he can chew. Despite this, the Government launched a consultation in December to shape the baccalaureate's development. December also brought the release of the OECD's secondary education rankings. With England on the rise and Scotland and Wales falling behind, the Government took pleasure in deploying the ammunition it provided against the record of its SNP and Labour counterparts.

Meanwhile, the Government's plan to overhaul vocational training got off to a poor start, with one in three T Level students quitting their course of study. Somewhat surprisingly, Labour chose not to commit to reversing the Government's removal of funding from level 3 qualifications that overlap with T Levels, favouring apprenticeships as its political battleground.

Elsewhere, universities took a backseat to skills and apprenticeships at October's Conservative Party Conference, with the Prime Minister claiming that thousands were being "ripped off" by their degrees. The Government's stance was quickly weaponised by the Opposition, who steered the debate towards Labour's class-political roots. Starmer characterised the Government's intention to reverse the expansion of higher education as an act of "academic for my kids, vocational for your kids" snobbery.

A cornerstone of the increasingly business-centric Labour Party's education vision was the remodel of the Apprenticeship Levy into a Growth and Skills Levy. Businesses welcomed the flexibility to repurpose the half of the levy that is currently unspent, but it remains to be seen if the policy will negatively impact the already oversubscribed supply of apprenticeship places.

With a General Election fast approaching, the extent to which all of these political positions were taken to serve students versus the parties themselves is open for debate. But as we enter 2024, policymakers will be challenged to balance their electoral ambitions with taking the action needed to equip the country with the skills needed for the challenges ahead.

## Culture, media and sport

2023 marked a transitional year for Britain's cultural sector as it continued to emerge from the pandemic years and more recent inflationary pressures. New challenges presented themselves too. Taking a lead on artificial intelligence (AI) regulation, the Prime Minister hosted a landmark AI Safety Summit and published Dame Angela McLean's review into regulating technologies in the creative industries.

Yet legacy debates remain unresolved, especially around the future of national broadcasting. A Media Bill was announced as part of the King's Speech, designed to support public service broadcasters in an evolving media landscape. However, the news that the new licence fee would be pegged below annual inflation meant pressure on BBC budgets and triggered the long-awaited review of the corporation's funding model.

2023 saw the creation of the new Department for Culture, Media and Sport (DCMS) in February, with Lucy Frazer appointed as its first Secretary of State. However, this further delayed the publication of the Creative Industries Sector Vision. Backed by £77 million, the strategy aims to boost sector growth by £50 billion and create a million jobs by 2030. Meanwhile, setting out Labour's vision for the creative industries, Shadow Culture Secretary Thangam Debbonaire announced a National Cultural Infrastructure Plan, which would aim to deliver an equitable distribution of the sector's successes, improve creative education, and provide more "space to create". She also proposed a visa waiver for touring artists and an EU-wide cultural touring agreement.

British sporting institutions were not short of controversy this year, with reviews conducted into

discrimination in cricket and the governance of the English Rugby Union, as well as a new independent football regulator in the works. Gambling had its turn under the microscope too, with measures proposed to protect players and limit addiction published in the Government's White Paper on gambling reform in the digital age. New legislation will also be introduced in 2024 to ensure that operators of sports stadiums and concert venues assess and address the risk of terrorist attacks in light of the 2017 Manchester Arena bombing.

The Autumn Statement also announced further policies to support the recovering creative sectors, including tax credits for the British audio-visual industry and ongoing business rates relief for grassroots music venues. Their combined Gross Value Added grew at a lower rate of 5% in the year to September 2023, compared with 5.3% the previous year. Signs of mixed progress were also evident in a review of the Government's Tourism Recovery Plan, which indicated that domestic travel had largely rebounded yet at the same time pushed back the goal of restoring levels of inbound tourism to the end of 2024.



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