



# EU Referendum 2016

## Three Scenarios for the Government

An insights and analysis briefing from  
The Whitehouse Consultancy



# The EU Referendum

The EU referendum has generated an unparalleled level of political debate in the UK, the result of which is still too close to call. Although we cannot make any certain predictions, this document draws upon Whitehouse's political expertise and media analysis to suggest what may happen to the Government's composition in the event of:

- **A strong vote to remain (by 8% or more);**
- **A weak vote in favour of remaining (by up to 8%); or**
- **A vote to leave.**

If the UK chooses to remain by a wide margin, the subsequent reshuffle will afford an opportunity to repair the Conservative Party after a bruising campaign period. This result will prompt a flurry of parliamentary activity, renewing the Prime Minister's mandate until he stands down closer to 2020 and enable a continuation of the Government's reforming agenda, which has recently taken a back seat.

If the country votes to remain by a small margin, the Prime Minister's assertions of authority over his fragmented party could further consume attention at Westminster. A leadership challenge is more probable under this scenario, but may be fended off by the large cohort of Conservative MPs who have supported 'Remain'. The resulting reshuffle will also need to reflect a choice between fostering reconciliation or revenge within the party.

If we vote to leave, a new Prime Minister will likely emerge from among the 'Leave' campaigners. What is questionable is whether Mr Cameron will stay in position to deal with the immediate questions posed by Brexit: such as the timetable for withdrawal, or how trading and diplomatic relations will proceed. Will he remain at Number 10, perhaps until a party conference in the autumn, or will there be more than one new beginning?

**"The result could create a new political reality."**

It is clear that the referendum result could create a new political reality on 24 June. Businesses must be prepared to engage if they are to mitigate the impacts and take advantage of the opportunities presented. I hope you find the insights within this document of use – if you would like to discuss how Whitehouse can help your organisation please do get in touch.



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# Strong Remain

## A return to 'business as usual' is unlikely

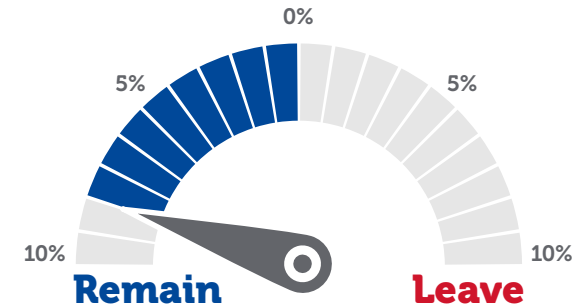
A vote for Remain by a margin of eight points or more would represent an unexpectedly strong endorsement for continued EU membership. However, even in this event, divisions in the Conservative Party make a return to 'business as usual' unlikely. The reshuffle – purportedly delayed until the end of July – could remove Eurosceptic ministers from the Cabinet and reward others, such as Energy Secretary Amber Rudd, for their loyalty. Reinvigorated by a decisive mandate from the British public, the Prime Minister would be able to refocus attention in the short term to other policy areas such as Trident renewal, airport expansion, and his reforming 'one-nation' agenda that he hopes will define much of his legacy. Under this scenario, the post-referendum landscape presents an opportunity for Britain to lead from the front when it takes over the rotating presidency of the Council of the EU next year. The government may look to deliver legislative change across the member states, whilst couched in the desire to opt-out of an 'ever closer union'.

### Key details

- ✗ **Settled for a generation** Whilst Eurosceptic voices in Parliament will continue to be vocal, this result would enable the Government to refocus attention on key domestic policy issues.
- ✗ **Investment decisions given green light** Final decisions have been put on hold until the referendum outcome, and we can expect a short-term boost to UK foreign direct investment (FDI) alongside a rise in the value of sterling.
- ✗ **Lead not leave?** Despite the margin of victory for Remain, the UK will continue to be a recalcitrant, semi-detached force in Brussels, following the measures agreed in Cameron's February renegotiation.

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### Margin of victory



### Potential cabinet members

With the Brexiteers silenced, Cameron may utilise the momentum to give his cabinet a major facelift. However, this temptation must be balanced by the need to smooth tensions in the party after months of infighting. Therefore, both Boris Johnson and Michael Gove may be welcomed back into the fold, alongside more measured 'Leavers' such as Andrea Leadsom.

Prime Minister: **David Cameron**

Chancellor: **George Osborne**

Foreign Secretary: **Theresa May**

Defence: **Anna Soubry**

Education: **Nicky Morgan**

DECC: **Andrea Leadsom**

DEFRA: **Elizabeth Truss**

Health: **Justine Greening**

Home: **Amber Rudd**

BIS: **Sajid Javid**

DWP: **Stephen Crabb**

Transport: **Boris Johnson**

Justice: **Michael Gove**





# Weak Remain

## Cameron under pressure

A narrow win for Remain would present significant dangers for the current Conservative leadership. Some MPs have already publically stated their intention to mount a challenge to Cameron's leadership. Yet in reality this vocal minority may struggle to secure significant backing. Many backbenchers are indebted to Cameron who, as an individual, has consistently outpolled his party and was the only post-war Prime Minister to have increased his share of the vote after a full term in office. Many are also wary that any leadership challenge would represent a window of opportunity for the Labour Party, who have thus far struggled to present a clear voice during the referendum campaign.

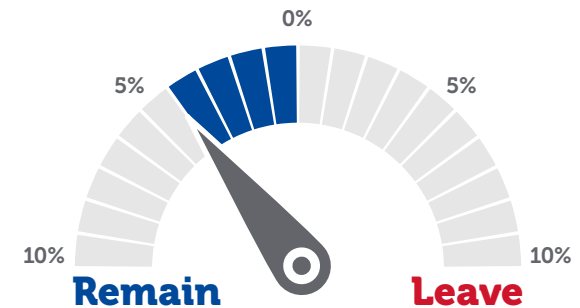
Therefore, a narrow vote to remain is expected to herald changes in personnel in key departments, rather than a passing of the leadership baton. Cameron will be under pressure to reward Brexiteers for a partly successful campaign, whilst ensuring that he delivers on his broader promise of a more diverse cabinet.

### Key details

- ✗ **Déjà vu?** Speculation of a second referendum would commence in earnest, with allegations of an unfair contest likely after the government was heavily criticised for spending taxpayers' money on a leaflet campaign to promote EU membership.
- ✗ **Leave to the fore** The smaller the margin of victory for Remain, the greater the pressure on Cameron to include prominent Leave campaigners in his cabinet.
- ✗ **Policy pressure** The government may face renewed pressure to introduce policies that will tackle high levels of migration – which has emerged as a key issue for voters during the referendum.

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### Margin of victory



### Potential cabinet members

Cameron is likely to appease the Eurosceptic section of his party by offering top cabinet posts to a number of Leavers. This could include a return to the frontbench for Liam Fox and former Mayor of London Boris Johnson.

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# Vote to Leave

## Evolution or revolution?

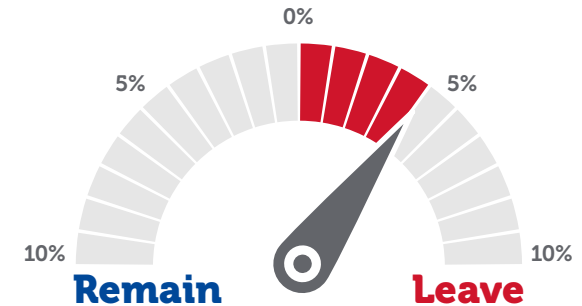
In the event of a vote to leave the EU, the Prime Minister would face intense pressure to resign, with the search for his successor in the Conservative Party lasting into the autumn. Beyond the political fallout, the immediate impact of Brexit would be primarily economic, and depend on whether the UK negotiating team could quickly strike a deal with Brussels to mitigate against an initial shock. Michael Gove, who is well placed for promotion following Brexit, has suggested leaving would necessitate "evolution not revolution", with the unknowns arising from leaving – such as maintaining access to the Single Market or when the UK would cease EU budget contributions – receiving careful consideration rather than immediate action. Regardless of any agreement struck, Britain's influence over the Single Market may be weakened and British businesses could face immediate barriers to serving customers in Europe. The suggestion that this can be offset by a rapid expansion into emerging markets remains a central tenet of the Leave campaign.

### Key details

- ✗ **Extended timeframes** Article 50 of the Lisbon Treaty states withdrawal will only occur on the date specified in any withdrawal arrangement, or two years after notification. A Conservative Party leadership challenge could delay this process.
- ✗ **Parliament to the fore** Parliament will continue to have an important role in legislating the withdrawal, and as the majority of MPs support EU membership, this could prolong the debates around leaving.
- ✗ **Economic impacts** The value of the pound could drop sharply, which those campaigning to leave contend will be mild and temporary. Any longer-term economic impact will depend on the deal achieved by a post-EU UK.
- ✗ **EU Presidency** The UK is due to hold the presidency of the Council of the EU from July-December 2017 – presenting challenging geopolitical circumstances for a new PM negotiating 'withdrawal'.

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## Margin of victory



## Potential cabinet members

Boris Johnson is the probable contender from 'Leave' to become PM, and could give influential Leave colleagues like Michael Gove and Chris Grayling prominent posts in his Cabinet. Johnson would likely keep some Remainers to maintain harmony, albeit selecting those who were subdued in their referendum campaigning.

Prime Minister: **Boris Johnson**

Deputy PM & Justice: **George Osborne**

Chancellor: **Theresa May**

Foreign Secretary: **Michael Gove**

Defence: **Chris Grayling**

Education: **Graham Brady**

DECC: **Andrea Leadsom**

Defra: **John Whittingdale**

Health: **Amber Rudd**

Home: **Liam Fox**

BIS: **Stephen Crabb**

Transport: **Jesse Norman**

DWP: **Priti Patel**



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