



Policy Priorities for 2017

Analysis from The Whitehouse Consultancy



Overview

 **Health**
(Department of Health)

 **EU** (Department for Exiting the European Union)

 **Education**
(Department for Education)

 **Transport**
(Department for Transport)

 **Public Health, Food & Nutrition**
(Department of Health)

 **Energy**
(Department for Business, Energy & Industrial Strategy)

 **Financial Services**
(HM Treasury)

2016 was arguably the year of greatest political change in more than a generation. We saw the election of Donald Trump as US President, and the UK voting for Brexit. David Cameron left 10 Downing Street, triggering his replacement by Theresa May and a substantial reshuffle of the top players in government. It's quite a stretch to imagine 2017 will see the same level of upheaval. But it is the year in which the consequences of the last 12 months will play out, particularly in public policy.

With Theresa May committed to triggering Article 50 by the end of March, Brexit will continue to dominate the political landscape as the Government negotiates with European institutions and member states; works to ensure investment in the UK is maintained; and addresses the concerns of the devolved assemblies. But across government, ministers and secretaries of state will be returning to bulging inboxes for their departments in January. In 2017, Mrs May's Cabinet will address fundamental issues ranging from the future funding of the NHS and social care, finalising a range of infrastructure projects including HS2 and the third runway at Heathrow, and pursuing controversial education reforms.

Our team have predicted what's likely to be top of the to-do pile for some of these sectors. 2017 will be another busy year in politics.

Happy Christmas and best wishes for 2017.



Helen Munro
Managing Director
The Whitehouse Consultancy



Health

Secretary of State's To Do List



FAO Jeremy Hunt

- ✓ Oversee the implementation of **Sustainability and Transformation Plans (STPs)**.
- ✓ Achieve a funding settlement to stem concerns about the **social care sector**.
- ✓ Push for a Brexit deal that does not dramatically restrict the number of **EU workers who can work for the NHS**.
- ✓ Keep the **provider sector deficit** within the maximum £800 million planned for by commissioners.
- ✓ Prioritise investment through the **Estates and Technology Transformation Fund** to ensure services remain sustainable in the future.

“Jeremy Hunt’s department needs to invest in NHS infrastructure for the service to remain sustainable”

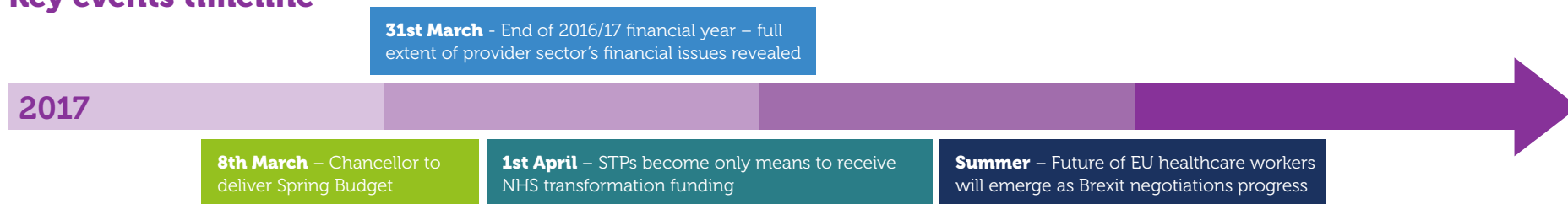
Going into 2017, the Health Secretary needs to lead his department shrewdly to prevent several policy strands from potentially collapsing. The controversial proposals made by STPs, which have been reported in mainstream media in recent weeks, will need to be managed locally but with a determined push for service improvements from central government. Many commentators will continue to urge for a new social care settlement to be reached in the Budget, and Jeremy Hunt should push for this behind closed doors to avoid consequences for the NHS. Without this, the end of year provider sector deficit is more likely to spill over the £800 million limit accounted for by commissioners.

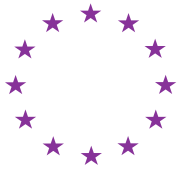
Once Article 50 is triggered in March, it will become clear whether healthcare staff from the EU will be affected by changes to freedom of movement after Brexit. But behind all this, the Health Secretary needs to ensure his department takes a long-term view and invests in the everyday infrastructure of the NHS, such as through the Estates and Technology Transformation Fund. Without this continued investment, the NHS will struggle to cope with the new models of care and ways of working needed for the service to remain sustainable in the future.

Rhiannon Sanders

Associate Political Consultant

Key events timeline





Leaving the European Union

Secretary of State's 2017 To Do List



FAO David Davis

- ✓ Stick to the timetable for **triggering Article 50**.
- ✓ Adequately **staff the Department** in preparation for formal negotiations.
- ✓ Keep the **Conservative Party** together.
- ✓ Develop a negotiating strategy which manages to take into consideration **all competing interests**.
- ✓ Reach an agreement in a period of **18 months**.

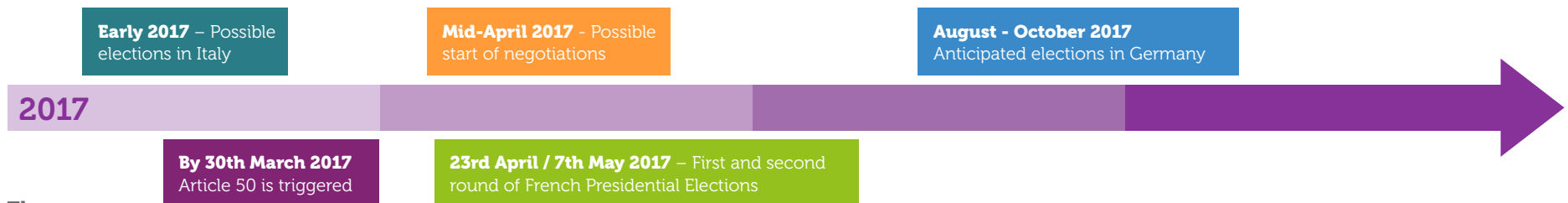
“The Brexit Secretary must perform an unprecedented balancing act”

As Remain supporters gradually come to terms with the result of the referendum, 2017 will be a crucial year for delivering the UK's exit. Assuming Theresa May sticks to her timeline of triggering Article 50 by the end of March, the Brexit Secretary must perform an unprecedented balancing act. Initially, he needs to walk the tightrope of negotiating with 27 Member States with varying sympathy for the UK's position. He simultaneously needs to keep Parliament and the public reasonably informed of his progress, without revealing too much of his hand, at the risk of damaging negotiations. This must amount to a result that is positive for the UK and keeps all strands of Brexit supporters and most interest groups happy.

There is also the issue of inter-governmental differences of opinion on how to handle negotiations. And, although the negotiation should last for two years, in practice this means there is only 18 months to thrash out an agreement. The tight timelines and scale of the task would be a tall order at the best of times, but things are further complicated by elections in France, Germany and possibly Italy. Depending on the results, this could require significant adaptations to the UK's negotiation strategy.

Elias Papadopoulos
Political Consultant

Key events timeline



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Education

Secretary of State's 2017 To Do List



FAO Justine Greening

- ✓ Oversee legislation to **enable the creation of new grammar schools**, that pass the scrutiny of sceptical parliamentarians.
- ✓ Square the circle of **advancing improvements in standards** with decreasing resources.
- ✓ Establish a coherent future plan for the **academies programme**.
- ✓ Tackle the issue of **vocational education**.
- ✓ **Manage workforce issues**, particularly teacher shortages in key subject areas.
- ✓ Deal with the **consequences of Brexit** and wider immigration concerns for universities.

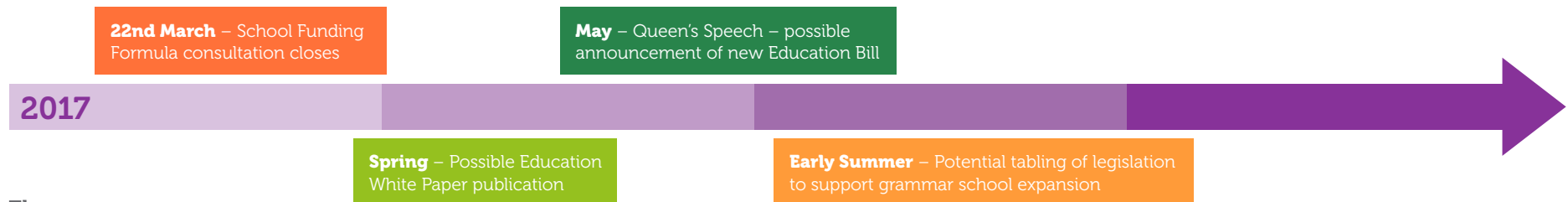
“Budget cuts, teacher shortages and decaying school infrastructure will undercut the Department’s lofty goals”

For the schools sector, 2016 was a year of dramatic course changes. The Educational Excellence Everywhere White Paper promised full academisation by 2022, only for the Government to scale back of the pledge three months later. Once Theresa May became PM, grammar schools became all the rage, and the Education for All Bill that would have delivered further academisation was shelved. 2017 will see a need for the Secretary of State to restore stability to the education agenda.

The seemingly never ending clamour for schools’ reform to improve standards and enhance social mobility will continue against a backdrop of increasingly challenging bread and butter issues. Budget cuts (which the proposed new school funding formula will do little to address), teacher shortages, and decaying school infrastructure will continue to undercut the Department’s lofty goals such as closing regional disparities in educational outcomes. Away from schools, the Department for Education has been managing the universities sector since summer 2016. Funding shortages and deregulation could prove to be flashpoints in 2017. Additionally, the UK’s departure from the EU and the Government’s agenda of cutting immigration by any route possible – even through student numbers – could see the Department embroiled in a conflict between the mainstream and populist wings of the Conservative Party.

Rowan Allport
Associate Political Consultant

Key events timeline



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Transport

Secretary of State's 2017 To Do List



FAO Chris Grayling

- ✓ Drive forward the **National Productivity Investment Fund** to relieve congestion and deliver road upgrades.
- ✓ Support the creation of East West Rail as it secures investment to build a **line linking Oxford and Cambridge**.
- ✓ Establish a **clear timeframe for HS2** and generate backing for the new proposed route.
- ✓ **Continue to champion** ultra-low emission vehicles, renewable fuels and connected & autonomous vehicles.
- ✓ Ease relationships between **Sadiq Khan and Southern Rail**.

“Concerns remain that Heathrow was a default option for a government under pressure to make big decisions”

A key aim for the Department for Transport in 2017 will be to ensure that just one company takes charge of train and track when the old Cambridge-Oxford line reopens. Rather than Network Rail, a new operator – East West Rail – will secure permission to reopen the line, and then attract private investment to build it and operate the trains and the track together. However, this unitary approach will attract further challenges from the unions who maintain that the proposals will drag the railways back to the failed Railtrack model.

Meanwhile, pressure will mount on the Government to set out a realistic timeframe for HS2, the first phase of which is due to open in December 2026. The Public Accounts Committee has called that “overly ambitious”; and any proposed timeframe risks being derailed by local opposition groups from the 70 affected constituencies lobbying their MPs to vote against the plans.

The Government’s approval of Heathrow expansion means that consultations will begin with local communities on the environmental impact and design of the third runway project. Expect widespread criticism to mount over the project’s affordability, increased traffic, air pollution and noise. Concerns remain that choosing Heathrow was a default option for a government needing to make big decisions as the UK goes through the turmoil of leaving the EU.

Ben Rochelle
Senior Political Consultant

Key events timeline



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Public Health, Food & Nutrition

Minister's 2017 To Do List



FAO Nicola Blackwood

- ✓ Work with the Treasury to oversee the passage of the **Soft Drinks Industry Levy** into law via the Finance Act.
- ✓ Work with DfE on an **Ofsted review of obesity**, healthy eating and physical activity in schools.
- ✓ Work with the food and drink industry to **set targets for the reduction of sugar** in specific products...
- ✓ ...**Without alienating businesses in the sector** already worried about the impact of Brexit.
- ✓ Cooperate with Defra to begin efforts to '**lift and shift**' **EU food law** into UK law.

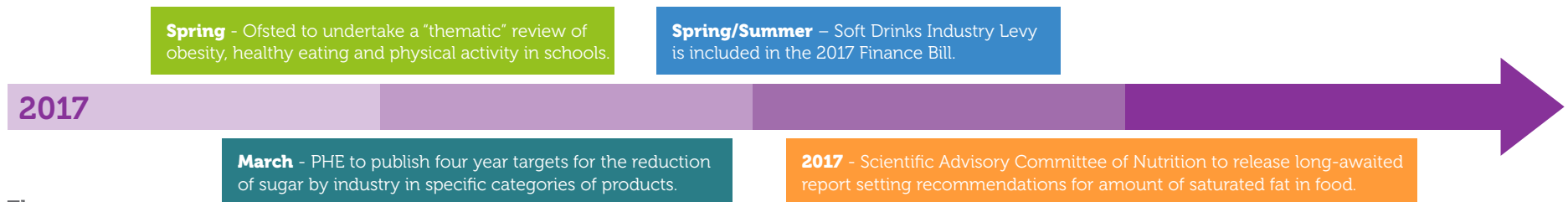
"The Government has repeatedly stated that it will legislate if products are not made healthier"

After years of inactivity on tackling obesity, in 2016 the Government brought forward two plans to address the problem. Each plan managed to annoy different constituencies, which some in Government interpret as a message that they're doing something right. Much criticism was levelled at the Childhood Obesity Plan for relying on voluntary commitments from industry to reduce sugar and other 'bad' ingredients in their products. But in 2017 it may become clear that these targets are voluntary only in the broadest sense. The Government has repeatedly stated that it will legislate if food and drink companies do not make their products healthier, to a level agreed by companies and Public Health England in negotiations.

2017 will also see legislation on the Soft Drinks Industry Levy (or sugar tax), though the law won't apply until 2018. Government will be looking to businesses to lead on product reformulation (as some, like Tesco, have already done), to avoid this tax; a rare example of hoping a tax generates less than anticipated. Expect griping from a food and drink sector complaining that the Government's plans for tackling obesity further burdens an industry heavily impacted by Brexit. But from inauspicious beginnings, the Government appears determined that companies will make food and drink healthier, or else.

Sam Blainey
Senior Political Consultant

Key events timeline



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Energy

Secretary of State's 2017 To Do List



FAO Greg Clark

- ✓ Publish the **Emissions Reduction Plan** in February as promised.
- ✓ Develop a long-term strategy for the **decarbonisation of heat**.
- ✓ Announce the future of the **Levy Control Framework** and the timetable for forthcoming CfD auctions.
- ✓ Implement the findings of the **National Infrastructure Commission**.

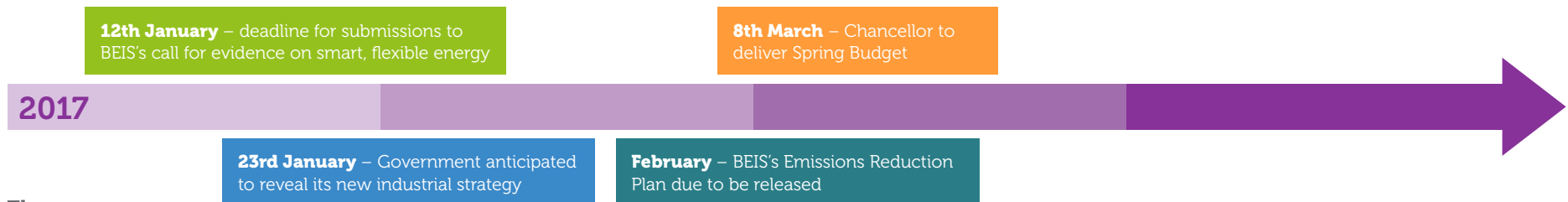
"BEIS must develop a clear policy framework for both energy efficiency and renewable heat."

In June 2016, the Climate Change Committee's fifth carbon budget passed into law, but the UK is significantly off track to achieving the 2030 emissions targets it recommends. The Secretary of State for Business, Energy and Industrial Strategy, Greg Clark, must ensure that the Emissions Reduction Plan, due to be published in February 2017, closes this gap. Shortly before this, it's rumoured that the release of the Government's new industrial strategy – one of Theresa May's key promises when she became Prime Minister – is planned, with the uncertain future of industries like steel in the UK under question. Also key to achieving the targets set out in the carbon budget is the decarbonisation of heat: residential and non-residential heating accounts for a third of GHG emissions, but has not received the same attention as power and transport. BEIS must redress this imbalance, and develop a clear policy framework for both energy efficiency and renewable heat.

Elsewhere, the Chancellor's Autumn statement shed no light on the future of the Levy Control Framework or the timetable for the forthcoming pot 1 and pot 3 Contracts for Difference auctions. BEIS will need to make its position on these issues clear, or risk capital going overseas in search of more stable markets. Finally, BEIS must continue to build on the National Infrastructure Commission's Smart Power report, developing a strategy to create a smart, flexible energy system. The awarding of contracts to battery storage in this month's capacity market auction marks an important step forward, but there remains much to be done.

Alex Lewers
Energy Intern

Key events timeline



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Financial Services

HM Treasury's 2017 To Do List



FAO Philip Hammond

- ✓ Continue to ensure that the **economic impacts of Brexit decisions are understood by the Cabinet.**
- ✓ **Ensure economic stability** once Article 50 is triggered.
- ✓ Make the case for **transitional arrangements** to provide stability for businesses worried about a "cliff edge" once Britain leaves the EU.
- ✓ Provide clarity on issues such as **passporting rights** and the **status of EU staff.**
- ✓ Develop an understanding of what **financial services legislation** should be modified or left unchanged once the UK leaves the EU.

"Hammond needs to offer as much clarity and certainty as possible at this point"

2017 will present major challenges for the financial services sector, and it's Philip Hammond's job to avoid a major economic hit. The most pressing issue is passporting – allowing firms with financial authorisation in one EU member state to operate in all EU countries – which makes London more attractive as a financial capital. Insurance market Lloyds of London is already insulating itself against the possibility of the removal of passporting, and without further clarity others are likely to follow suit. If the UK stays in the single market, there's unlikely to be significant change; but it's clear that the Government's focus is on reducing migration, and without accepting Freedom of Movement, single market access is almost impossible.

Hammond will also have to decide if the UK should seek transitional arrangements to avoid a "cliff edge" if Article 50 negotiations end without the UK's future relationship with the EU being defined. While Brexit Secretary David Davis is said to be against such an arrangement, the Chancellor is much more favourable. It will be difficult to provide much clarity and certainty at this point – but Hammond needs to offer as much as possible to maintain confidence in the UK economy and ensure stability.

Frances Powrie
Senior Political Consultant

Key events timeline



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