



What Would Jeremy Do?

Assessing the impact of a
Corbyn-led Labour government

September 2018

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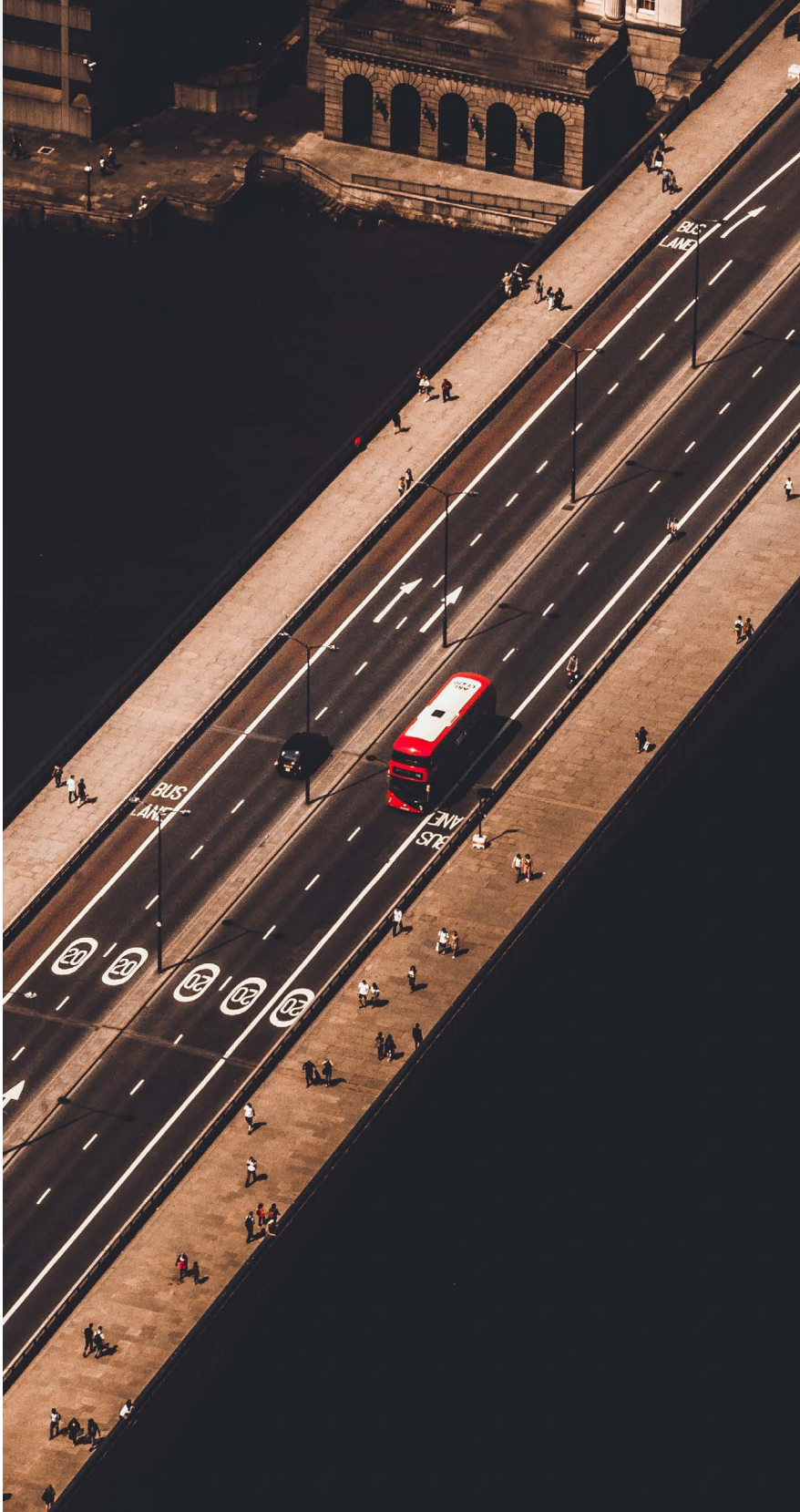
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GK STRATEGY
FOREWORD
ROBIN GRAINGER
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The last three years in British politics have been among the most tumultuous and uncertain in living memory. In September 2015, it seemed almost impossible that Jeremy Corbyn could lead the Labour Party to victory; since then, the fallout from the vote to leave the EU and the party's better-than-expected performance in last year's election have potentially put Corbyn on the road to Downing Street.

The possibility of the next general election resulting in a government led by Labour, with Corbyn at its helm, is now at the forefront of the minds of business leaders and those making investment decisions in the UK. Whether his policy platform is considered a throwback to 20th century socialism or a popular agenda designed to appeal to younger voters, it has the potential to create disruption on a level not seen in British political and commercial life for a generation.

Therefore, unpicking the rhetoric to understand what Corbyn could do in power is an essential part of planning for the future by businesses and investors across a whole range of sectors, as the implications of public ownership, greater regulation and employment reform are weighed up. However, this is not to say that under Corbyn there is a potential threat around every corner; as we explore in this report, there are opportunities as well as risks in areas such as education, healthcare and housing, where increased public spending could be beneficial from the perspective of some businesses.

Either way, a Corbyn-led government would be far from business as usual for leaders and investors in the UK. With a fresh general election less than four years away and the current government struggling to pass its Brexit plans through Parliament, the prospect of Prime Minister Jeremy Corbyn is one that should be taken seriously.

INTRODUCTION

CORBYN'S LABOUR

Jamie Cater, Head of Policy

In September 2015, when Jeremy Corbyn was elected as the leader of the Labour Party by an overwhelming margin, the prospect of the socialist backbencher turned hero of the left becoming Prime Minister of the United Kingdom seemed remote. His traditional left-wing views on social and economic issues, combined with unpopular stances on areas such as foreign policy, defence, national security and the monarchy, were quickly derided; his personal appearance was mocked; his ability to speak to audiences beyond his supporters in the Labour movement was doubted.

Three years later, the world of British politics has been turned on its head. Following the vote to leave the EU in 2016 and the 2017 general election, the idea of a Corbyn premiership no longer seems far-fetched. Labour's success last summer – gaining 30 seats and eliminating the Conservatives' majority in the House of Commons – defied the predictions of not only media and political commentators, but the parties themselves.

Corbyn has taken the party's growing disillusionment with the New Labour era under the leadership of Tony Blair and Gordon Brown, and created a movement that aims to challenge what it sees as a cosy consensus at the top of British politics that it considers to have allowed the gap between the wealthiest and poorest to widen, and public services to deteriorate under a policy of austerity while unaccountable businesses have profited.

For some, the party's 2015 election manifesto – including proposals to reform corporate governance, introduce more stringent regulation of private sector provision in public services, and increase the national minimum wage and labour market regulation – had marked a significant departure from the business-friendly approach from its leadership between 1994 and 2010.

The 2017 manifesto was largely a continuation of this approach, although with a shift in tone on economic policy; while the 2015 document was still concerned with presenting the party as fiscally responsible and not disturbing efforts to reduce the UK's budget deficit, the 2017 manifesto also argued for a defined fiscal rule, but this was eclipsed by the headline-grabbing policies promising significantly increased levels of public spending.

In many ways, Corbyn's diagnosis of the problems in some of the markets where intervention is prioritised does not differ fundamentally from that of Ed Miliband, or



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even Theresa May's Conservatives; namely, that they are not working in the interests of 'ordinary people' and require the Government to take action in order for them to function better. The parties agree that there is an undersupply of housing and it is too difficult for young people to get on the housing ladder; that household energy and utility bills are too high; that the current system of tuition fees inspires little confidence among students, graduates and parents; that funding for the NHS and adult social care is unsustainable and needs reform; and that there is too great a gap between the highest and lowest earners, and new corporate governance rules and increases to minimum pay should limit this. It is on the scale and nature of the proposed solutions to these issues that the parties diverge significantly and, with regard to Labour, in a way that has caused consternation among swathes of the business community.

The apparent lack of recognition of the value of private enterprise and wealth creation among the current leadership of the party is manifest not just in its approach to public services, where it will seek to limit the role of the private sector, but throughout the economy as a whole. Although Shadow Chancellor John McDonnell has been

cautious in his language around taxation, there is little doubt that Labour's plans for significant uplifts in public expenditure are intended to be financed primarily by tax rises for corporations and higher-rate taxpayers. Other possible tax reforms will be floated to maximise revenue to fund increases in public spending and the potential purchase of privately-owned assets that a Labour government would want returned to public ownership.

While the Conservatives and non-political opponents to Corbyn's proposals are likely to focus on the cost of the manifesto policies – particularly on nationalisation – to the public purse, this is unlikely to shift public attitudes significantly against Labour. In a political environment where it is increasingly apparent that cultural factors are more important in influencing voting intentions than the economy, it is Corbyn's attitudes on issues such as foreign policy, defence and migration where the public – particularly older voters, among whom support for the party is low – continues to harbour the most doubts. The recent debate over anti-Semitism in the party, and the criticism Corbyn and the leadership have received over the issue, could also damage perceptions of Labour.

There also remains strong support for public ownership of key industries, a higher minimum wage and higher taxes on corporations and high earners among Labour's core voter groups, as well as the wider public. Although younger voters broadly tend to be favourable towards the concept of capitalism, when asked about specific markets, they express opposition to the way in which they are working and are in favour of an alternative approach. Whether on energy, transport, higher education or housing, Labour's policies continue to command a high level of support among voters under 40.

This report attempts to understand the extent to which these policies could practically be achieved under a Labour government, and the priority attached to them by the party. Corbyn's rhetoric is often simple; the task of implementing the ambitious policies he has laid out is not, and understanding how a government would go about making the rhetoric a reality, and in what order the party's promises could be achieved, is essential to assessing how to prepare for the impact of an incoming Labour government.

HOW LIKELY IS CORBYN TO BECOME PRIME MINISTER?

At the time of writing, the most favourable betting odds to be found are for a hung parliament at the next general election, with Jeremy Corbyn the narrow favourite to be the next Prime Minister. Opinion polling demonstrates much the same, with both of the main parties holding only narrow leads over each other among a variety of polling companies. The UK Polling Report website, which compiles and analyses survey results, shows that a lead for either party over the other has exceeded the margin of error only 5 times in more than 30 different polls since the May 2018 local elections, and in a number of recent polls the parties have been tied. A summary of recent opinion polling and betting odds can be found at the back of this report.

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The fast-changing nature of contemporary British politics and the still unknown outcome of the Brexit negotiations may see Labour able to capitalise upon public dissatisfaction with the Government's performance.

Although the deadlock between the parties that has emerged since the 2017 election appears unlikely to be broken in the foreseeable future, the fast-changing nature of contemporary British politics and the still unknown outcome of the Brexit negotiations may see Labour able to capitalise upon public dissatisfaction with the Government's performance. While Corbyn's personal ratings remain lower than those of Theresa May, Labour has so far succeeded in retaining more support from Leave voters than the Conservatives have with Remain voters. This suggests that Corbyn's party may be in a better position to capture votes in areas where it needs to win to form a government than the Conservatives are in the seats that they would need to take back in order to re-gain a majority at the next election.

Although issues like the anti-Semitism controversy could prove damaging, such is Corbyn's popularity among the party membership that he is highly unlikely to be deposed by his internal opponents before the next election; he will remain as party leader for as long as he intends to lead. Even if Corbyn decided or was forced to step down from the leadership, the make-up of the rank-and-file membership and the party's decision-making structures mean that a new leader would be elected from Corbyn's wing of the party and follow much of the same policy agenda that Corbyn has laid out.

COULD LABOUR GET ITS POLICIES THROUGH PARLIAMENT?

The enactment of the policies explored in this report depend to some extent on the election of a Labour government with a healthy working majority in the House of Commons. Given the opinion polling and betting odds above, this appears optimistic from the party's perspective. As things stand, should the party form the next government it will do so with a small majority of MPs, or in a minority administration with some form of agreement with other parties, most likely the Scottish National Party.

However, while the parliamentary arithmetic may be tight, some of the internal opposition Corbyn has faced from his parliamentary party is likely to fade away in the event of an election victory. This is for two reasons. Firstly, Labour will have gained more MPs that have been subject to a candidate selection process under the current leadership, making them more likely to be sympathetic to Corbyn's politics and thus diminishing the relative power of any rebel group of MPs. Secondly, Corbyn's more vocal critics on the Labour benches are likely not only to give him the benefit of the doubt if he leads the party to victory, but would also reserve any criticism for aspects of foreign and security policy where there is stronger disagreement between moderate MPs and the leadership.

Like the current Government, Labour would not have a majority in the House of Lords upon forming an administration. While this may delay the passage of some legislative items, should the party have a majority in the Commons and the legislation be implementing manifesto policies, parliamentary convention dictates that the House of Lords is unable to prevent the legislation from being passed. In the event of Corbyn becoming Prime Minister in a hung parliament – where no party has an overall majority in the Commons – the conventions governing the approach of the Lords become more complex, but is still unlikely to prevent the implementation of the party's manifesto commitments.

Therefore, it is unlikely that Corbyn would face many, if any, insurmountable barriers to the progress of his legislative agenda through Parliament. There may be compromise necessary on some policy areas if the party has no working majority in the Commons, but any formal or informal agreement with other parties and the likely lack of internal opposition should ensure that, for the most part, there is little difficulty for an incoming Labour government in passing most of its policies through Parliament.

CHALLENGES FOR AN INCOMING LABOUR GOVERNMENT

David Laws, Strategic Adviser



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David Laws was the Member of Parliament for Yeovil between 2001 and 2015, and held various senior positions in the Liberal Democrats before joining the Coalition Government as Chief Secretary to the Treasury in 2010.

Between 2012 and 2015 he served as Minister of State for Schools and in a cross-departmental role in the Cabinet Office, and now sits as one of GK's Strategic Advisers. With his wealth of experience at the centre of British politics, David brings invaluable insight and expertise to GK's work. In addition to this, David is Chair of the Education Policy Institute, and advises Ark Schools' Education Partnerships Group on education in Africa and the Indian sub-continent.

GK's strategic adviser and former Cabinet Minister David Laws gives his view on how radical a Corbyn-led Labour government could be.

The election of a Corbyn government would mark one of the most dramatic shifts in political ideology and policy in the UK in the last 100 years, ranking in the post war era alongside the election of the Attlee government in 1945 and the Thatcher government in 1979. Corbyn is a distinctly left-wing political figure by UK standards, and it is unlikely that he would pare back his agenda in government – that has not been his style over a long period in politics.

It is tempting to believe that a Corbyn government would immediately face widespread opposition to its policy agenda. This will obviously come from opposition parties, but possibly also from the City, business, large parts of the media, the House of Lords, cautious civil servants and, in some areas, from moderate Labour MPs. It is certainly true that if Labour has failed to use its time in opposition to think through its key early policies, it could face a rocky period of months at the beginning of the new government.

However, let's assume that Labour, assisted by a civil service which is trained to deliver government's political commitments, is capable of setting out its plans in a number of key areas. In this eventuality, it ought to have the opportunity to introduce key parts of its manifesto. Why? Firstly, because new governments have a new mandate to act, and provided Labour picks its policy targets carefully, it should find that it is given the opportunity to make changes. The House of Lords will not want to be seen to be unreasonably resisting a government with an election mandate, and moderate Labour MPs (particularly key if there is a hung parliament or a small Labour majority) will pick their fights with Corbyn carefully; they will not want to rebel against him on issues where the public or the majority of Labour members are highly sympathetic to his agenda. Secondly, because sensible new governments can blame all the apparent prevailing problems on their predecessors, and pick popular causes to resolve. These are carefully chosen to highlight the previous government's incompetence or lack of social compassion. So, played carefully, a new Corbyn government could make progress on its manifesto, although almost certainly against the background of intense media and opposition scrutiny.

A very key issue for a Corbyn government would be its first Budget. Bluntly, how left-wing should it be? Corbyn and McDonnell are not natural 'trimmers'. They might decide that they are never going to win over the City and business, and they could choose to be bold – hiking corporation tax to 26% in one big move, or introducing a higher-than-expected income tax rate of 60% on the very highest earners. They could also open the floodgates on public spending and public borrowing. There would be a real debate about this in the Corbyn team, and it is not at all clear how this would play out. Blair and Brown sought to win over the City and Business, but this is not Corbyn's style of politics. However, frightening the financial markets out of their lives could be terrible politics if the pound and UK bond markets collapse and inflation and interest rates go through the roof. It could be tempting not to oversell the 'new socialism', and that is certainly what the advice of the Treasury and most Labour MPs would be.

And what about the medium and longer-term prospects? Here, the Thatcher government of 1979-1990 is probably a very useful guide. Thatcher was elected as a radical, but on a pretty cautious and populist manifesto. When she came to power, she faced many opponents in her own party, including in her Cabinet. In the early

years, her policies were distinctly 'new' and generally Thatcherite, but her focus for privatisation was mainly on a limited number of badly-performing former private sector businesses, for which there was an obvious case for return to private ownership. Her government faced big economic problems, some resulting from her policy of high interest rates and fiscal austerity, and at one time it looked as if the economic crisis (including three million unemployed) might topple her. But as the economy recovered, and with a boost from the successful Falklands War, she defeated her political opponents – including in her own party – and set out a much bigger and bolder reform programme than anticipated in her first manifesto. The big privatisation programme, deregulation, and massive cuts to direct taxation mostly came in her second and even third terms in office.

Therefore, the most interesting question when it comes to Corbyn is not just whether he could introduce most of his election manifesto – he probably could – but whether he could consolidate party and public support. If not, a Corbyn government could look like a short-term blip in our political history. If Corbyn were able to survive the initial backlash against his radical change in direction, then his election could mark a significant turning point for economic policy and for the boundaries between public and private sectors.



PUBLIC OWNERSHIP

The hallmark of Jeremy Corbyn and John McDonnell's politics is the explicit preference for public provision over privatised and outsourcing. In key areas of national infrastructure, in a significant break from recent political history, Labour is advocating the return of assets and services to the public sector. In his speech to party conference in 2017, McDonnell proclaimed, 'Building an economy for the many also means bringing ownership and control of the utilities and key services into the hands of people who use and work in them. Rail, water, energy, Royal Mail – we're taking them back'.¹

Although it is clear about its approach, the party leadership has chosen its language carefully when articulating its vision for this; Corbyn and McDonnell refer to 'public ownership' and 'democratic control' rather than 'nationalisation'. When considering what Labour's plans might look like in practice, this is a crucial distinction. While also a rhetorical device designed to avoid the negative connotations of the term 'nationalisation' with particular parts of the electorate, it means that there is a focus on designing policies that do not concentrate decision-making power in Westminster, but in some areas create state-backed entities to compete with private companies. Where the party may have the intention to effectively expropriate privately-owned assets, there will be the prospect of significant legal challenges, most likely over valuations.

Therefore, while Labour's plans for public ownership of various parts of the national infrastructure look likely to be highly disruptive to these markets, in most areas they would not simply constitute a return to how services were run before the privatisations from the late 1970s onwards. There is likely to be a significant amount of ongoing policy development in these markets as the party considers the scope of public ownership and where a role for the private sector might be appropriate, and how a Labour government would approach taking assets immediately into public ownership.

In 2017, in addition to its election manifesto, the party published a document entitled 'Alternative Models of Ownership', exploring a

range of policy options that could be considered for public services and areas of national infrastructure which are either privatised or where the private sector has a significant role in service delivery. Although the document states that it does not represent party policy, it is clear that there is considerable interest in the Shadow Chancellor's office, and in early 2018 the party held a one-day conference under the same title that was addressed by both John McDonnell and Jeremy Corbyn. The document argues that 'privatisation has damaged service quality and facilitated the ciphering of public money for profit', and like the manifesto, focuses on markets such as energy, rail and mail.

RAIL

During the party's 2015 leadership election, Jeremy Corbyn published a 10-point policy plan that he would seek to implement as leader of the opposition, one of which was public ownership of railways. It has arguably become the party's flagship policy in the two and half years since Corbyn became leader, and much of its campaigning has been focused on rail-related issues. In January 2016, 2017 and 2018, the party held national campaigning days across the country in protest at rising rail fares, each time making the party's case for bringing services into public ownership.

The party's manifesto for the 2017 general election identified three causes of dissatisfaction with the railway system: 'relentless deregulation, privatisation and fragmentation' by the Conservatives.² The passage in the manifesto on rail is one of its most vivid, arguing that 'the beneficiaries of public funding siphoned off through privatisations have been the earnings of directors, dividends for shareholders and the coffers of overseas governments'. It makes plain that a Labour government would 'start by bringing our railways back into public ownership, as franchises expire', although it also states that a government could initiate reviews of franchises before expiry or take advantage of any break clauses in existing contracts.

01. <https://labour.org.uk/press/shadow-chancellor-john-mcdonnell-speech-to-labour/>

02. <https://labour.org.uk/wp-content/uploads/2017/10/labour-manifesto-2017.pdf>



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Supporting the creation of municipal energy companies and allowing them to take over local infrastructure was an early policy goal under Corbyn's leadership; in one of his first major speeches on policy as leader in January 2016, he commented that the trend towards local authorities in Germany producing their own energy was something ‘Labour should want to emulate’ in the UK.

The rhetoric of the Labour leadership in relation to public ownership of the energy market to date suggests a subsequent programme of ‘municipalisation’ rather than outright nationalisation, relying on local authorities to establish their own energy companies to enter the market and taking control of local infrastructure rather than creating a centralised system in which central government would take wholesale ownership of the grid and create sole energy suppliers. Therefore, the party's proposals as they stand implicitly recognise in that new, publicly-owned utilities will be entering a market rather than standing as nationwide monopoly suppliers.

Corbyn has previously stated that he would like to see the ‘Big Six’ companies brought into ‘some form of public ownership’, but the 2017 manifesto does not outline detailed plans for achieving this. Prior to becoming party leader, Corbyn suggested that while public ownership would be a priority, he would not like to see ‘every last asset’ nationalised as it would be an ‘inefficient’ way of operating. For Corbyn to have adopted such a view at that time – before having his public pronouncements moderated by his team of advisers, and understanding the popularity of public ownership with his electorate inside the party – is a sign that the party in government would be no more radical than its manifesto proposals suggest.

WATER

As noted above, the water industry is where public ownership is most popular with voters. As with the energy proposals, the principal focus is on local accountability rather than simply being directed by Whitehall, fitting more closely with the idea of municipalisation rather than nationalisation.

This is the market in which the party has been most directly critical of the role of private equity, with Corbyn criticising the role of investors in the water industry in a speech in 2017. However, it is also arguably the market in which the party has done the least planning for how public ownership would be achieved, swayed more by public opinion than an ideological determination to make water a specific priority. Unlike energy, rail and mail, water had not previously been a particular focus for the party and although it is unlikely that the pledge to revert to public ownership would be dropped if the party entered government, there would need to be a greater degree of policy development before firm proposals were put forward than on other markets where nationalisation is at the top of the agenda.

PARLIAMENTARY SUPPORT

Although the political economy of public ownership is unlikely to chime with the ideological positions of moderates in the parliamentary party, in the context of an election victory in which Labour commands a majority in the House of Commons and the priority attached to the policies in a new election manifesto on which MPs will have been elected, the proposals are unlikely to face significant obstacles in Parliament. MPs who remain sceptical of Corbyn's leadership are more likely to try to face him down in internal debates on more contentious issues – most likely on defence, national security and foreign affairs – than on economic and social policy, meaning that there will be little opposition from Corbyn's own benches when it comes to public ownership. In the event that there remains a significant SNP contingent in the Commons following a Labour victory – not a certainty given the party's reliance on Scottish seats to form a parliamentary majority – they would also be likely to back most of Labour's proposals.

All of the transport unions affiliated with the party are vocal opponents of privatisation and have played a part in the campaign to renationalise the railways, meaning that this is unlikely to fall off the agenda should the party form a government.

Similar to the energy market (explained below), a likely first step for a Labour government would be the introduction of an immediate fare cap on rail journeys. The party would then use this opportunity to explore options for taking franchised passenger services into public ownership and consider under what circumstances an operator could be stripped of a franchise prior to the end of its contract.

ENERGY

Along with rail, energy is a key priority for the party with regard to public ownership. Having become a high-profile political issue over recent years as media scrutiny of rising consumer bills has increased, and activity prior to the 2015 general election such as the review of the energy market by the Competition and Markets Authority prompting the Government into taking action, Labour's position has evolved under Corbyn's leadership to support explicitly public ownership in the energy market.

In the immediate term, the priority for Labour would be to implement a blanket cap on dual-fuel household bills of £1,000 per year while proposals for public ownership were consulted on, discussed and passed through Parliament in legislation. If the current Government's cap remains in place at the next general election, Labour would pass legislation to amend this to remove the power of Ofgem to decide the level of the cap and institute its own timetable for when the cap should expire.

Labour's proposals for public ownership were set out in the 2017 manifesto in three parts:

- Taking control of supply networks through reforming;
- Supporting the creation of publicly-owned municipal energy companies ‘to rival existing private energy suppliers’;
- Legislating to allow publicly-owned companies to purchase regional grid infrastructure, with the entirety of the national grid ‘brought into public ownership over time’.

REGULATING THE PRIVATE SECTOR

While public ownership is the order of the day when it comes to national infrastructure, determining how a Labour government would regulate private sector involvement in public services and areas such as housing is a key question for investors with an interest in this space. With the party having ramped up its rhetoric on the so-called ‘privatisation’ of the NHS and the collapse of Carillion posing difficult questions for both national and local policy-makers on the outsourcing of frontline services to private companies, Labour’s approach in this area is likely to be tough on for-profit providers, although softened by the need for councils and service commissioners to respond effectively to local needs.

Corbyn once proclaimed in the House of Commons that private companies providing public services should be ‘shown the door’; the approach of Labour in office is likely to be more pragmatic initially, although over time the party may become harsher in its approach, particularly towards the larger players in the market. The natural areas on which an incoming Labour government would focus are health, housing, and other locally-commissioned services such as children’s services and adult social care. There are also other sectors with a large presence for private providers which may become more politically sensitive over time, such as prisons, where the party is likely to seek reform in the longer term but which would not constitute an immediate priority.

PRICE AND PROFIT CAPS

In 2015, Labour had pledged to introduce profit caps for private providers in the NHS of 5% on contracts over £500,000 which was widely criticised by health sector stakeholders. Corbyn has generally preferred instead to talk about an NHS that is ‘fully publicly provided and fully publicly funded’; although the 2017 manifesto suggests that the Health Secretary would have a ‘legal duty’ to consider action over ‘excessive profits’ made by private companies in the NHS, it is unclear how this would be defined and would be open to challenge. The most

significant part of the health service infrastructure intended to be addressed by Corbyn’s comments on public funding is the private finance initiative, with John McDonnell having previously spoken about bringing PFI contracts in-house. However, when it comes to the provision of services, a profit cap is likely to be an option on the table for a Labour government as it seeks to restrict the use of private companies in the NHS.

It is important to recognise the role of local commissioners when considering the possibility of price caps. In adult and children’s care services, for example, there is likely to be a reluctance from a Labour government to override the wishes of local leaders in respect of the services they commission, or seek to dictate commissioning practiced from the centre. In this regard, implementing a price or profit cap from central government is unlikely, with the party more likely to favour encouraging local authorities to deliver in-house by increasing funding significantly, or by using procurement frameworks to apply greater price pressure to private providers.

Aside from capping prices or profits, the party could seek to alter public procurement rules to change the way in which both national and local decision-makers purchase and commission. In any areas where central government under Labour may still award public sector contracts to private sector providers, there may be a more explicit preference for SMEs, or additional criteria relating to the pay and conditions of their workforce.

In other local markets such as housing, a different form of price capping is a likely prospect. Corbyn has spoken extensively about controlling rents in the private rented sector and, given that the current Government is highly likely to have completed the introduction of its ban on letting agent fees by the time of the next general election, an incoming Labour administration would prioritise the introduction of a rent cap soon after taking office. The 2017 manifesto refers to an ‘inflation cap on rent rises’; the most probable course of action would be for annual rent increases in private rented

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accommodation to be limited to CPI plus 2% or 3%, which the party would view as giving certainty to landlords with sufficient room to make mortgage repayments while also benefitting tenants.

BANNING PRIVATE PROVISION

In the party’s rhetoric around private provision, the possibility of eliminating the

role of for-profit providers has alarmed stakeholders in sectors such as health, adult social care and children’s services. As noted above, while there is a clear preference for services to be provided in-house and not outsourced to profit-making companies, there is little likelihood of a Labour government actively seeking to legislate to outlaw this type of provision. Instead, sympathetic Labour-controlled local authorities may simply follow the national leadership’s line and prioritise insourcing

of any high-profile outsourced services of their own volition, or commission services as they currently do. It is unlikely that, despite a centralising instinct and scepticism of the localism agenda, a Corbyn-led government would direct local decision-making from Westminster.

In the NHS, there would likely be a stronger and more immediate move towards removing private provision, but there is a wider question of how the party would prioritise specific areas given the spread of outsourced services. While an immediate priority for Labour would be the repeal of the Health and Social Care Act 2012, which established the current framework for NHS commissioning, it would be unlikely to go further in the short term than simply making the NHS the default preferred provider for all new contracts.

STANDARDS AND QUALITY

Another way in which a Labour government could hold private providers more accountable is through more stringent quality standards. This is a likely approach in areas such as children’s services, where private sector involvement is entrenched and there is limited desire to disrupt the market to such an extent that care for vulnerable children may be threatened or disturbed. Reforming standards – whether this is for workers, such as new qualifications for social workers, or stricter criteria for awarding contracts to private providers – could be an efficient way for a Labour government to increase the accountability of suppliers without requiring burdensome legislation.

A similar approach is likely to be followed in the housing market, where tougher standards for lettings and estate agents, a register of landlords and higher standards for rented accommodation will also form part of



LABOUR MARKET REGULATION

the party's programme for housing but could also be at least partially achieved without the need for legislation. The party had little to say about private developers in its general election manifesto, but there are likely to be more ambitious targets for new homes for developers alongside more severe measures around planning permission and compulsory purchase of privately-held undeveloped land over and above current plans from the Government to reform the system.

CORPORATE GOVERNANCE

There are many ways in which Labour could seek to reform corporate governance, not only for those companies involved in the delivery of public services but in the wider economy. Accusing Theresa May of having backtracked on more radical pledges in this area when the Government published its plans to reform corporate governance last year, it is likely that the party in government would pursue a number of different aspects of reform through different routes. Alongside plans for greater trade union recognition (explored later in this paper),

Labour could use a bill early on in the next parliament to introduce requirements such as worker representation on boards and remuneration committees, and limits on executive pay. A number of figures in the party have criticised executive pay in the housebuilding sector in particular, and action in this area may be prompted by a further sense that executive pay in companies delivering public goods and services is rising while workers, consumers and service users are getting a raw deal.

For public sector outsourcing firms where there are concerns over financial sustainability, the party has pledged to introduce new rules that would preclude such companies from being awarded public sector contracts, or where they had already been awarded, contracts would be taken in-house or a re-tender undertaken to award to an alternative supplier. With Carillion remaining on the political agenda as the Government completes its own reforms to corporate governance, and ongoing concern over other large suppliers to public sector bodies, the beginning of a Labour government could prove to be a politically-expedient time to introduce such measures.

Reforming labour market regulation will be one of the highest priorities for a Corbyn-led government. With a particular emphasis on increasing minimum pay, strengthening rights for insecure workers and changing rules on the recognition of trade unions, the party has proposed creating a new Ministry of Labour, separating these responsibilities out from the Department for Business, Energy and Industrial Strategy (BEIS) and Department for Work and Pensions (DWP), and incorporating some of the most important social and economic policies that a Labour government would want to pursue during its first term in office.

NATIONAL LIVING WAGE, UNIVERSAL BASIC INCOME AND WELFARE REFORM

Labour's 2017 manifesto committed to a vast range of policies for reforming the labour market, but a significant increase in the national living wage (NLW) is likely to be the highest priority in this area for an incoming Labour administration.

The suggestion from the Office for Budget Responsibility (OBR) that the NLW will not reach the Government's target of £9 per hour by 2020 may spur Labour to consider a fundamental change to how the rates are set. One of the principal arguments opposing George Osborne's decision to introduce the Low Pay Commission (LPC), the body made up of business leaders, trade unionists

and academics responsible for setting the national minimum wage. Rather than revert to allowing the LPC full power over setting the rates, the party may simply designate this to the Ministry of Labour for it to be set by central government with reference to broader economic conditions at the time. From a political perspective, this would ensure that the rate does not fall behind the £10 an hour target the party has set, although it would meet with strong opposition from business stakeholders, as well as potentially incurring the wrath of more moderate trade unions who support the existing collaborative approach.

The 2017 manifesto also pledges the introduction of 'sectoral collective bargaining' but does not offer any further detail as to how this sits alongside plans to enforce a higher NLW from the centre. This may only become clearer after the party had instigated some of the broader corporate governance reforms it intends to undertake referred to elsewhere.

Not mentioned in the manifesto but popular among policy thinkers in and around the party is the idea of a universal basic income (UBI). John McDonnell has called it 'an idea whose time may well have come'; members of the Shadow Treasury team such as Jonathan Reynolds are known to be in favour of some form of UBI, and the party has committed to undertaking a pilot scheme in government. As with a number of other ideas at the more radical end of the party's thinking, and not set out in detail in the manifesto, it may encounter a significant amount of scepticism from the

Treasury and civil servants elsewhere in government. In any case, as illustrated by the frustrated roll-out of Universal Credit, large and complex reforms – such as implementing a UBI-style policy would be – are often stifled by a slow and error-strewn process. Such a reform would constitute a longer-term policy goal for Labour, and the cost implications and complexity may make it unworkable. The party would be likely to settle instead for simply increasing the NLW and NMW significantly above current levels.

Although the party's 2017 manifesto did not explicitly commit to ending the cap on working-age benefits, currently scheduled to end in 2019, Labour can be expected to adopt a more liberal approach to social security expenditure. Were the party to move forward with more concrete plans for UBI this could effectively incorporate many of the current aspects of Universal Credit, and the current Government's flagship welfare policy is unlikely to be completely undone by an incoming Labour government. Instead, the focus is likely to be on reversing some of the cuts made to Universal Credit and reforming the sanctions regime.

BANNING ZERO-HOURS CONTRACTS

A major priority for Labour since 2010, reforming zero-hours contracts is another policy that will be very close to the top of the agenda for a Corbyn-led government. While the party under Ed Miliband stopped

short of pledging an outright ban, the current leadership has made this party policy and is a strong signal of how it intends to proceed with regulating the labour market and companies' employment practices. The current Government has effectively adopted Miliband's suggestion of the right for workers to request a formal, regular contract after a specific period of time engaged by the same employer; it is highly unlikely that a new Labour government would acquiesce to existing policy, and legislating for an outright ban early on in the next parliament would be the most probable course of action.

REGULATING THE GIG ECONOMY

The party has called the Government's response to the Taylor Review – the report commissioned by the Government to look at modern working practices – a 'huge missed opportunity' and has accused employers participating in the gig economy of 'spreading exploitation'. In addition to banning the use of zero-hours contracts and increasing the NLW, a Labour government could seek to implement 'equal rights' between workers and employees, going further than the Government in responding to the recommendation of the Taylor Review of expanding the definition of 'worker'; commit additional resources to the Labour Market Directorate in BEIS and HMRC to enforce regulations and payment of the NLW; follow the recent example of New York and other international governments in introducing 'Employee Scheduling Regulations', requiring workers to be paid when given late notice of cancelled shifts; and other interventions intended to provide greater security and certainty for workers, and less freedom and flexibility for employers.

Chief Secretary to the Treasury Liz Truss recently argued that Labour would eventually 'ban' gig economy platforms such as Uber, Deliveroo and Airbnb. While this reflects some of the anxiety from businesses who fear that the party does not understand the attractiveness of

these platforms for both workers and consumers, it is unlikely that Labour would go so far as to legislate against such companies or implement a regulatory environment so severe that it prevented the growth of these markets. It is possible that Labour may wish to reform some of the regulatory framework to address what it sees as the problematic unintended consequences of gig economy platforms – moving beyond issues around employment status and examining other areas such as the impact of Airbnb on the housing market – but there is likely to be a stronger emphasis on enforcing standards to eliminate practices that are judged to be exploitative of workers and consumers.

TRADE UNIONS

Labour's 2017 manifesto outlined support for increasing trade union recognition and representation in the private sector, and repealing the legislation passed by the current Government in 2016 that introduced a threshold for ballots for workers voting on industrial action and increased the notice period for strikes to take place. Legislation to reverse these policies is likely to be included in the first Queen's Speech under a Labour government.

Given Corbyn's strong support from sections of the trade union movement, and his own political background, further reform to the legislation restricting industrial action by employees could also be on the table under a Labour government in the longer term. Although some have suggested that a Labour government would effectively reverse all of the trade union legislation passed since the beginning of the Thatcher government in 1979, there are specific areas in which a new administration would seek to spend any political capital, and many of the now-entrenched laws regarding industrial action are likely to fall lower down the list than simply enabling greater recognition and representation of trade unions in workplaces.

FUNDING

Aside from the upfront cost of moving industries into public ownership, there are a number of areas in the public sector where although providers may be subject to stricter regulation and higher taxes, the funding environment may be much more beneficial than over the last eight years. Although reductions in central and local government budgets have created an environment in which innovative private sector provision has been seen as essential to achieve greater efficiency across both frontline services and back office operations, an incoming Labour government is likely to provide additional resources from which businesses with an interest in a number of sectors may benefit.

Among the most immediate priorities for increased funding under a Labour government would be reforming local government finance. At the time of launching the 2017 manifesto, Corbyn claimed that he led 'the party of devolution' and pledged new economic development powers and additional resources to local authorities. While this is primarily focused on potential reviews of council tax and business rates, and the possibility of new ways of raising revenue such as a land value tax, there are some local frontline services such as social care and housing where specific measures will be at the forefront of the party's policy development.

EDUCATION

At the heart of Corbyn's plans for public service reform since his election as Labour leader has been the creation of a 'national education service', intended to provide 'cradle-to-grave learning... free at the point of use' incorporating all provision from early years to higher and adult education. While there is little detail on precisely what a unified education system would look like, the party has made schools and higher education a particular focus of its campaigning in opposition under Corbyn's leadership.

One of the defining issues of the 2017 general election was school funding. With the Conservatives struggling to make the case for

their planned national funding formula, Labour capitalised on the uncertainty surrounding the Government's plans and increased media scrutiny of pressure on school budgets to put the issue at the front and centre of the election campaign alongside NHS funding.

Despite previous suggestions that Labour in government would seek to return all schools to local authority control, the manifesto did not commit to such a policy and the party would be more likely to introduce a more stringent regulatory framework for financial regulation of academies and free schools, as well as generally expanding local authority oversight of schools. It would also seek to direct additional funding to local authorities to boost the maintained sector and enable them to take over academies if they are judged to be performing poorly. While this does not mean that academies would be discriminated against in terms of funding, there would likely be an informal expectation in the Department for Education under Labour that new funding should be focused on improving and increasing capacity in maintained schools.

Aside from schools, one of Labour's flagship policies under Corbyn's leadership has been the abolition of higher education tuition fees. Alongside the re-introduction of maintenance grants for students – abolished by the current Government in 2016 – this is expected to come at a cost of roughly £9 billion to the Treasury for each cohort of students, with the whole cost of abolishing fees likely to be made up through an increase in grant funding.³ The 2017 manifesto commits to financing this through increasing corporation tax; as noted elsewhere, this type of tax measure could be achieved soon after an election in Labour's first budget. Although the legislation required to abolish fees would take a longer time to pass through Parliament, this would be an immediate priority for an incoming Labour administration and would be in its first Queen's Speech.

With so much political capital dedicated to abolishing tuition fees and a radical change to the schools system through the introduction of a national education service, there looks likely to be little room for additional funding for either early years and further education

03. <https://wonkhe.com/blogs/the-costs-of-labours-tuition-fee-pledge/>

as an immediate priority. On the former, Labour has criticised the Government over the underfunding of its policy of 30 hours of free childcare for 3 and 4-year olds, and committed in its manifesto to funding more provision through direct subsidy, extending the current 30 free hours to 2-year olds, and subsidising additional hours above the current entitlement.

On FE and skills, Labour has not diverged significantly from the Government's current position beyond committing to additional investment and minor reform of the apprenticeship levy; it is highly unlikely that the party would seek to overhaul or abolish the levy, but instead focus on increasing flexibility in how funds can be spent by

budget by 3.4% may have stolen some of the party's thunder on this issue from opposition, it remains at the forefront of its plans for government, and the party is likely to back the assertion from the Institute for Fiscal Studies that the health service will require annual increases of 4% or more to cope with sustained increases in demand.⁴

Following the Government's announcement, Labour pledged to increase health spending by 5% every year, although there has been no indication as to how this would be funded. In this context, the 2017 manifesto pledge to increase annual NHS spending by 2%, funded by increasing income tax on the top 5% of earners, is already

're-nationalisation' of the health service, an immediate funding boost for healthcare is likely to prove a positive for businesses holding NHS contracts. While in the longer term sustained increases in public funding and a general attitude of scepticism towards private provision may restrict some of the opportunities available for businesses with an interest in healthcare where commissioners feel that sufficient resources are available to deliver more services in-house, there is unlikely to be significant movement that disallows NHS providers from commissioning or procuring outsourced services in the short-to-medium term.

shift towards 'nationalising' social care. Instead, a significant increase in resources, which may enable commissioners to relax eligibility criteria in order to improve access, is likely to be the foundation of the National Care Service rather than expecting local authorities to deliver services in-house.

It is not clear that the party has undertaken much significant long-term thinking over the sustainability of social care funding beyond committing to additional public expenditure through local authorities, and there is little suggestion that this would be done in advance of the next general election. The manifesto commitment to exploring a cross-party agreement on funding is a familiar one



employers. In the context of the priority attached to school funding specifically, it is likely that the other most significant change it will make to the current apprenticeship funding framework would be to exclude schools from paying the levy.

HEALTH AND SOCIAL CARE

Alongside education, increasing health spending will be an immediate priority for Labour on entering office. Although the announcement from Theresa May in July 2018 on a proposed uplift in NHS England's

out of date; while the party should be expected to maintain its position of increasing funding over and above the level agreed by the current Government, the party may be tempted to commit to finding further additional revenue from reforming income tax thresholds at the top end of the distribution. It may also explore options around imposing national insurance contributions on the earnings of over-65s, further increases in corporate taxation or lowering the tax-free personal allowance, although these are likely to be less palatable options for the party.

In light of the practical difficulties of removing private sector involvement in the NHS, and despite some of the party's rhetoric on

In the broader context of increasing funding for local authority frontline services, adult social care is also likely to stand to benefit from fresh investment as the party looks to create a 'National Care Service'. Not only is Labour sensitive to the arguments from stakeholders that additional healthcare funding should also be directed towards social care provision to ensure the financial sustainability of both markets, but it recognises the need to guarantee local authorities sufficient resources to enable care workers to be paid a higher minimum wage through higher fees to providers. While there is some scepticism in the party towards the role of the private sector in delivering care services, this is not as politically-contentious as in the healthcare market and there is unlikely to be much of a

from previous attempts by various governments, and the suggested options of a dedicated levy, employer contributions and taxes on wealth could be pursued by a Labour government but would be unlikely to command significant support from the other main parties.

HOUSING

New funding for housing is another important aspect of Labour's plans for increased public spending, with the issue close to the top of the list of priorities for voters. The party's policy agenda in government is likely to focus first and foremost on increasing the

04. <https://www.ifs.org.uk/publications/12998>

available supply of housing, particularly social and affordable properties; reform of the private rented sector – over and above the actions currently being taken by the Government – will also be a priority, while taking measures to improve owner-occupation will be on the table but constitute a smaller priority in the immediate term after the party takes office.

As such, at the forefront of Labour's housing policy programme will be the removal of borrowing caps on local authorities with the specific intention of enabling them to commission the building of more social and affordable rented properties. The party has consistently called for further reform of the housing revenue account system through which councils' ability to borrow is restricted, and reform is another measure which could feasibly be included in a first budget, although further legislation may be required.

While a Labour government would not discount the need for institutional investment and private developers working with local authorities in developing new housing, the strong preference would be likely to be for funding to be used by councils to deliver housing. The sensitivity of the party to the private sector working in partnership with local authorities to deliver housing developments was illustrated by the controversy surrounding Haringey Council's attempt at a public-private partnership for new housing; although the local party's scepticism of the private sector is not necessarily representative of the national leadership's position on how housing is approached, there remains some risk that a combination of changing funding approaches and a more stringent regulatory environment for developers diminishes the attractiveness of this sector.

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A Labour government would not be likely to prioritise investment in areas such as roads, and would continue its opposition to Heathrow expansion. Although Labour will hold the Government to account from opposition on post-Brexit funding arrangements in areas such as agriculture, this is also likely to constitute a lower priority.

With regard to other housing tenures, owner-occupation may benefit from some increased funding as Labour seeks to capitalise on the perceived failure of the Conservatives to achieve a significant increase in the number of young people able to enter the market. The 2017 manifesto committed to extending the Help to Buy scheme beyond its current term as well as a number of tax changes to enable more first-time buyers to get on the housing ladder, but it may be that the party in office decides that resources are better spent on increasing overall housing supply rather than providing mortgage subsidies.

LOWER PRIORITY AREAS

While there are a number of sectors that could see vastly increased public spending, there are some where the financial environment could continue to be constrained. Given Corbyn's ideological leanings, the most obvious candidate for a reduced budget would be defence; although the party has notionally committed to keeping to the NATO target of spending 2% of GDP on defence, and substantial cuts would provoke moderate Labour MPs into opposition, this will fall some way behind other spending commitments and could be abandoned. There is unlikely to be an immediate reversal of the party's position on the nuclear deterrent, but there could also be a further debate around the cost of this to the exchequer in the next parliament.

Outside of rail, other areas of the transport budget may also be vulnerable. A Labour government would not be likely to prioritise investment in areas such as roads, and would continue its opposition to Heathrow expansion. Although Labour will hold the Government to account from opposition on post-Brexit funding arrangements in areas such as agriculture, this is also likely to constitute a lower priority; the party would back additional domestic funding for schemes that have a public or environmental benefit, but may be less concerned on overall funding for agricultural programmes.

The party has also expressed scepticism of the value of some of the schemes that offer public subsidy for business activities through tax relief. John McDonnell has suggested that the Patent Box scheme would be abolished under Labour, and the other tax breaks that are currently offered for research and development would be likely candidates for reform if they are judged to be benefitting large companies rather than SMEs.

TAXATION

Maximising tax revenues would be essential if Labour were to run, as John McDonnell has suggested, a balanced current budget throughout the parliament, given the number of significant spending commitments made elsewhere in the 2017 manifesto. During last year's election campaign, Labour said that it would raise almost £49 billion in additional tax revenues; significant reform of the tax system will be necessary to enable a government to come close to securing such an ambitious uplift in revenue and allow it to pursue and prioritise the most radical policy items at the forefront of its agenda.

CORPORATION TAX

Labour's principal goal with regard to tax policy will be to increase the rate of corporation tax from the current level of 19% to 26%, although the party has also pledged to reintroduce the small profits rate, most likely at one or two percentage points lower than the main rate. It is almost certain that a Labour government would include these measures in its first Budget, and is highly unlikely to back down in the face of opposition from the business community, with the 2017 manifesto arguing that a rate of 26% would be 'among the lowest [corporate tax rates] of the major developed economies'. It is likely that the Labour government would increase the rate to 26% in one go, rather than this being the target point over the course of its term in office.

Therefore, although there has been no indication that the party would intend to pursue further significant increases in the main rate, the possibility of an increase beyond the rate of 26% cannot be ruled out. The political focus in the short-to-medium term alongside the initial increase is likely to be on corporate tax avoidance and evasion, upon which a large amount of the forecast increase in revenues set out in the policy costings of Labour's 2017 manifesto depends. In October 2017, the party published a paper, 'Labour's Tax Transparency and Enforcement Programme', in which it sets out

plans for a new tax enforcement unit within HMRC, public filing of large company tax returns, and 'clamping down' on other forms of avoidance and evasion.

Wider reform of the corporate tax system will have a strong appeal to McDonnell and his Treasury team, but is likely to be a longer-term aim rather than something that would be implemented immediately. Many of the measures on tax transparency could be included alongside the planned reforms to corporate governance and put to public consultation, particularly given the lack of detail in the manifesto and commitment to holding a public inquiry into individual and corporate tax avoidance. Therefore, there may be some small movement on larger-scale corporate reform in a first Budget under a Labour government, but beyond an increase in rates much of this would come later on in its time in office.

CAPITAL GAINS TAX

The party has committed to reversing the current Government's cuts to capital gains tax – taking the higher rate from 20% back to 28%, and the lower rate from 10% back to 18% – in order to fund public services. There has not been any indication as to whether the party intends effectively to maintain the current surcharges on buy-to-let investment and carried interest, where former Chancellor George Osborne maintained the previous rates following the above cuts in 2016, by raising the rates further in these two instances, but it is possible that this would be on the agenda in the short term.

The party's 'Tax Transparency and Enforcement Programme' lists the 'Mayfair tax loophole' – i.e. the taxation of carried interest – as a practice that is estimated to cost the exchequer £0.7 billion a year. Neither this document nor the 2017 manifesto indicate firm plans to alter the treatment of carried interest, but implies that it should be treated as income rather than capital gains. Moderate backbench



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Although there has been no indication that the party would intend to pursue further significant increases in the main rate (of corporation tax), the possibility of an increase beyond the rate of 26% cannot be ruled out.

MPs such as former deputy leadership candidate Stella Creasy have made similar calls in the past, and while it is unlikely to constitute an immediate priority for an incoming Labour government, it is something that could be achieved with relatively little opposition in Parliament should the party have a strong majority in the Commons.

PERSONAL TAXES

Labour was careful during the 2017 election campaign to frame its floated changes to taxation as aimed at ‘the rich’, stating in the manifesto that only the top 5% of earners would pay more in tax. The party has argued for two principal changes to personal income tax rates and thresholds: firstly, that the threshold for the 45p rate would be cut from £150,000 to £80,000; secondly, a new 50p top rate would be introduced on earnings over £123,000. For McDonnell, this marks something of a compromise; as a backbencher, he had previously called for a 100% rate for top earners alongside a substantial tax on wealth.

It is worth noting that in Scotland, the party under its Scottish leader Richard Leonard has proposed that the 50p rate begins at £100,000. A higher rate of income tax for

the highest earners is consistently among the most popular policies with voters in opinion polls, and given that the party has only previously pledged not to increase taxes on those earning under £80,000, there may prove to be some flexibility in the £123,000 threshold initially set out in the manifesto. Over the longer term, the top rate for these earners may increase from 50% to closer to 60%.

As with the changes to corporation tax and capital gains, these reforms could also be included in an incoming government’s first Budget and tabled in a Finance Bill. Beyond this, Labour is unlikely to instigate any other significant reforms in the short term; there appears to be no desire, for example, to remove or alter the personal allowance or look in detail at national insurance contributions and VAT. In light of some of the debate around the gig economy and tax

treatment of the self-employed, Labour may choose to look at income tax and national insurance contributions, but there has been little discussion of this aspect of trends in flexible working to date. In the longer term, the party could consider removing pension tax relief for higher earners and introducing national insurance contributions on post-retirement income, though this has not been discussed as part of the party’s current policy agenda.

PROPERTY AND LAND TAXES

Labour has made a number of commitments to exploring reform across a range of tax measures beyond earned income, capital gains and company profits. Perhaps the most eye-catching in the party’s manifesto was the promise to consider a ‘land value tax’, although there is little detail on how or to what extent this would be considered as a priority; immediately characterised as a ‘garden tax’ by the Conservatives during the election campaign, it would be likely to prove a difficult sell to the British public when simpler and more achievable tax reforms will be on the table.

There has been a recent clamour from think tanks and others to call for far-reaching reform – or even abolition – of council tax. The Institute for Public Policy Research, a Labour-inclined think tank, and the Resolution Foundation, led by the party’s former Head of Policy Torsten Bell, have both called for policy-makers to overhaul property taxation, and this may encourage Labour to think further about how property is taxed and whether a system of land value taxation would be politically – and practically – feasible. The party committed to conducting a review of council tax and business rates in 2017; the review is unlikely to be held as a priority, and meaningful reform would probably fall outside of a first term of government.

The barriers that stand in the way of far-reaching reform are not easily surmountable. While problems with council tax are increasingly discussed in policy circles, the prospect of reform is so politically contentious as to render it almost impossible for a government to do. The suggestion of a so-called ‘mansion tax’ on properties valued at over £2 million was one of the policies that became symbolic of the party’s unsuccessful 2015 election campaign, and any re-design of the council tax system would be lengthy and hard to complete, and create clear ‘winners’

and ‘losers’ that have made it an unpalatable option for policy-makers despite the level of criticism the current system receives from stakeholders.

That Labour MP Chris Williamson, a former Shadow Minister and loyal supporter of Corbyn’s leadership, was sacked from the frontbench shortly after arguing in favour of radical reform of council tax is a demonstration of how politically-sensitive such change could be. Such is the difficulty and complexity of undertaking this level of reform to the tax system, it is likely to prove beyond the capacity of a Labour government even with a relatively healthy majority in Parliament. Changes to rates and thresholds in personal income tax and corporation tax will be an immediate priority and be easier for Labour to address.

In addition to these areas, reform of inheritance tax is also likely to be high up the agenda, and again politically contentious, particularly in the context of the ongoing debate over reform to adult social care. It is highly likely that Labour would substantially reduce the inheritance tax threshold and, alongside the potential reforms to council tax, could have far-reaching consequences for property owners.



POLL TRACKER

The following table shows the average poll lead for the main parties over the last 12 months. Although there are frequent fluctuations from poll to poll that can be attributed to timing, particular events or differences in methodology, this gives a broad indication of how sentiment has changed over the last year.

The numbers indicate, as a number of commentators have suggested, that British politics is in deadlock. While there has been a clear distance between the Conservatives and Labour in some individual polls over the course of the last 12 months, a large proportion of leads for either party have been within the margin of error.

Labour’s narrow leads in the months following the general election have given way since the turn of the year to slightly larger Conservative average monthly leads, but there has been no definitive movement in the polls since last year’s election.

Based on a ‘poll of polls’ containing published survey results from BMG, ComRes, Deltapoll, ICM, Ipsos-Mori, Kantar, Opinionium, Survation and YouGov.

2018	
Month	Average Poll Lead (Conservative / Labour)
July	1
June	2.3
May	2.7
April	1.7
March	Even
February	1
January	1.1

2017	
Month	Average Poll Lead (Conservative / Labour)
December	1.2
November	1.1
October	2.1
September	2
August	1



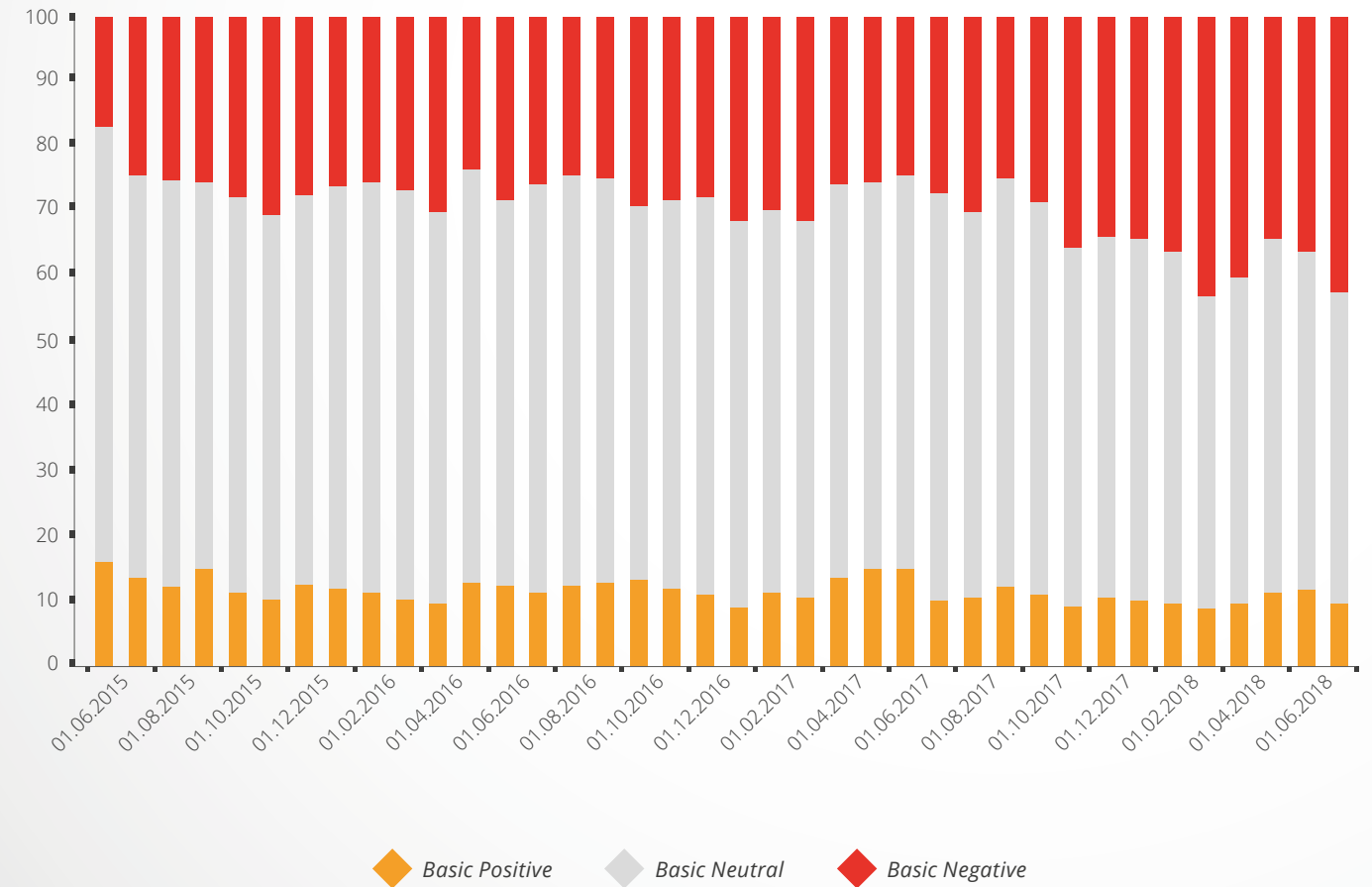
BETTING
ODDS

As of August 2018, a majority of bookmakers offered identical odds of 10/11 on both the Conservatives and Labour securing the most seats in the House of Commons at the next general election. When it comes to betting on the likelihood of the parties securing an overall majority, the shortest odds are generally offered on the election resulting in a hung parliament; some bookmakers narrowly prefer Labour over the Conservatives with odds of 5/2 versus 9/4, but against the backdrop of the polling figures above, there is little to choose between the parties.

In line with this, Jeremy Corbyn is the narrow favourite to become the next Prime Minister, with most bookmakers offering odds of 5/1. There are only two of Theresa May’s potential successors as Conservative leader who have shorter odds than Corbyn among some firms: Boris Johnson and Sajid Javid.

SENTIMENT

The chart below, comprised of the number of online conversations, shows how overall sentiment towards Corbyn’s leadership among the general public – including non-Labour voters – has changed since his election in September 2015. While the number of conversations has grown, the balance of positive, negative and neutral sentiment has not changed significantly. There has been some growth in negative sentiment which has pushed positive sentiment slightly lower but, as the opinion polling suggests, there has been little substantial movement in public opinions of Corbyn and his Labour Party over the last three years.





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Since 2009, GK has been equipping businesses and investors with the knowledge and understanding of the political and regulatory landscape they need to make effective decisions. Whether engaging with the prospect of a Labour government or understanding the trajectory of policy and regulation under the Conservatives, GK's expert insight can help to clarify the risks and opportunities arising in a range of different markets.

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All of our detailed research reports contain a risk matrix, which provides a clear assessment of where potential risks may arise. The following template represents a hypothetical example of a risk assessment that GK could produce for a specific asset or sector, considering the likelihood and impact of policy risks as well as outlining a rationale for our assessment.

L – low | M – medium | H – high



Domestic Policy Risk

Risk Level

Top Level Risk	78%
Change of Government Risk	H
Change of Government Impact	M
Opposition Perspective	L
External Drive for Policy Change	M
Government Mismanagement /delay	M



Funding & Commissioning Risk

Risk Level

Top Level Risk	88%
Short-term move into public ownership	L
Long-term move into public ownership	L
Increase in public funding	M
Change in commissioning criteria/limiting use of the private sector	M



Regulatory Risk

Risk Level

Top Level Risk	80%
Change in labour market regulation	L
Change to corporate governance rules	H
Restricting use of the private sector	M



Taxation Risk

Risk Level

Top Level Risk	88%
Change in tax policy	M

With a senior team that draws on a vast range of political experience including former Cabinet Ministers, as well as consultants with backgrounds in the Labour Party, Government and Parliament, GK offers unique expertise and insight into the key policy and regulatory issues faced by clients.

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