

The Budget: Balancing Business, Bolsover & Beaconsfield

Portland



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Introduction

PORTLAND’S groundbreaking analysis has for the first time exposed the dilemma facing Prime Minister Boris Johnson – does he deliver for Conservative voters or business leaders?

Our research shows Tory voters and captains of industry have very different views about how far government should interfere in the economy.

And if the PM chooses to back “the people” over “the producers”, there will be a need to work hard to protect and promote sectors from regulatory or legislative threat.

The common view is there’s a chasm between leave-supporting voters in new, northern Conservative seats like Bolsover and remain-backing Tories in Beaconsfield.

But the findings of our detailed work have exposed a new and very real schism which could impact the economy.

The analysis highlights the dilemmas faced by not only ministers and their advisers – but by the business community as it seeks to engage with the Johnson administration.

Firms who plan their strategic approach to public affairs without this kind of cutting edge research risk making the wrong choices.

In this publication our authors assess how this dynamic will come to define UK politics for the next decade. They have all worked at the sharp end of British politics, advising a string of Prime Ministers and Cabinet ministers.

Our team also looks at how the next generation of the Labour Party might respond to this structural realignment of UK politics. They dare to dream of building an election-winning offer themselves.

‘The Budget: Balancing business, Bolsover & Beaconsfield’ is a critical read for any business seeking to understand and interpret the new political and economic imperatives shaping our governance.

Portland’s team of best-in-class consultants have the knowledge, experience and can-do attitude ready to help you navigate a new political reality.



By
GEORGE PASCOE-WATSON
UK Chair

THE PEOPLE'S GOVERNMENT



By

NICK HARGRAVE

Partner and Head of SPARC – Portland's dedicated research & strategy unit

The key battle ahead of the Budget isn't Bolsover v Beaconsfield...it's Voters v Business

Since the General Election in December, much ink has been spilled by commentators on the different types of Conservative voter that Boris Johnson must hold onto.

The argument supposedly goes that voters in Leave supporting seats like Bolsover – that went Tory for the first time last year – want a more muscular and interventionist government.

Meanwhile voters in Remain supporting seats like Beaconsfield – that the Tories clung onto because of fear of the alternative – want a more 'traditional' Tory government that backs business and prioritises laissez-faire economics.

It's a neat enough theory but bears little resemblance with how most voters today view politics.

New polling by Portland, released today on the eve of the 2020 Spring Budget, shows there is far more unanimity amongst both sets of Conservative voters than commonly supposed.

The real chasm, the polling suggests, is between Business on the one hand and Conservative Voters on the other. While Business wants government to get out of the way – a majority of Conservative Voters across the board want the Government to tax more, spend more and intervene more.

Beyond the slogans and soundbites, next week's Budget will offer the first set of real clues on which side of the argument Boris Johnson's Government chooses to fall down on. But looking to a five year horizon, the tide of public opinion towards a more interventionist Government is one that business leaders cannot afford to ignore. Business can exert influence in many ways but voters hold the ultimate sanction for a politician at the ballot box.

The strategic dilemma that every business will have to grapple with is whether to contest this argument, concede it – or find some level of compromise.

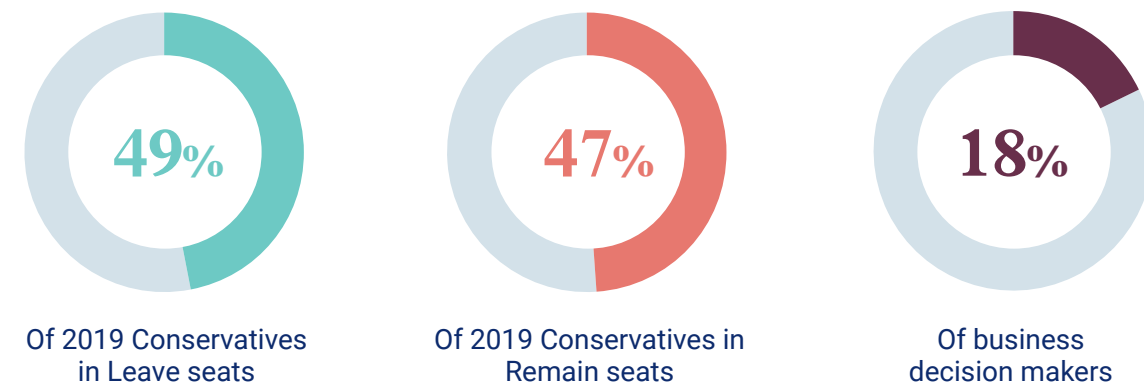
The polling in detail:

In Portland's poll we surveyed 1,500 people between 28th Feb - 1st Mar 2020 from three distinct groups:

- **500** senior business decision makers in large companies
- **500** Conservative voters in Remain supporting constituencies
- **500** Conservative voters in Leave supporting constituencies

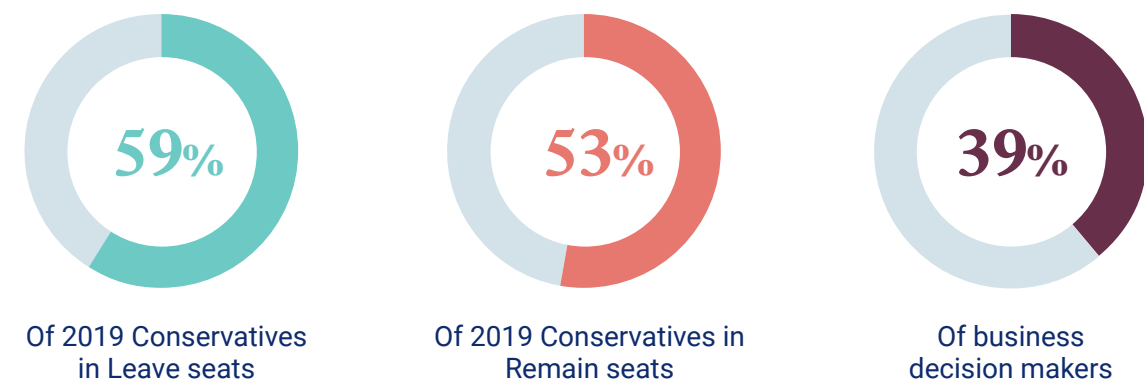
Conservative voters are twice as likely to believe that the government should intervene more in the economy than less – the opposite of business decision makers.

Believe the government should intervene more...



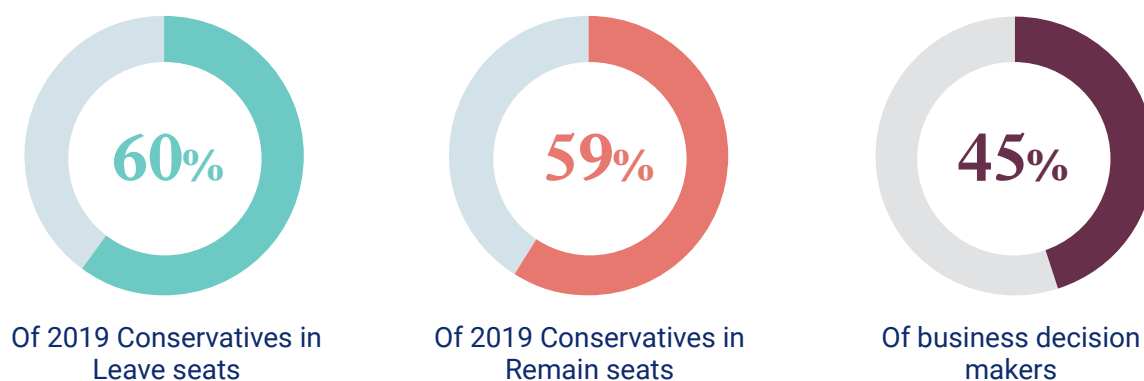
A majority of Conservative voters are comfortable with tax rises for those earning over £80,000 – in contrast to business decision makers.

Those who earn over £80,000 a year should pay more in taxes...



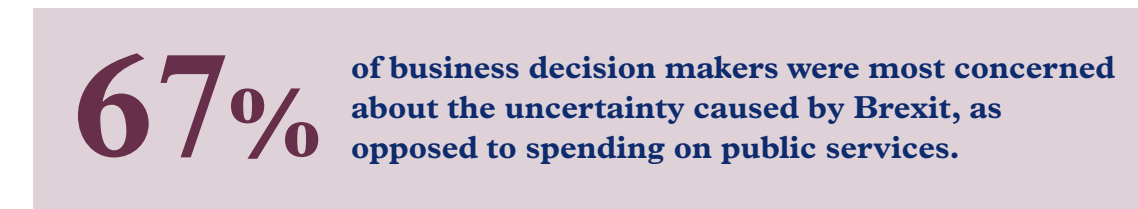
A clear majority of Conservatives from across the country favour investment in areas that haven't received it before, while business leaders prioritise investment that leads to the highest returns.

Agree that government investment should go to areas of the country that had not received it before...



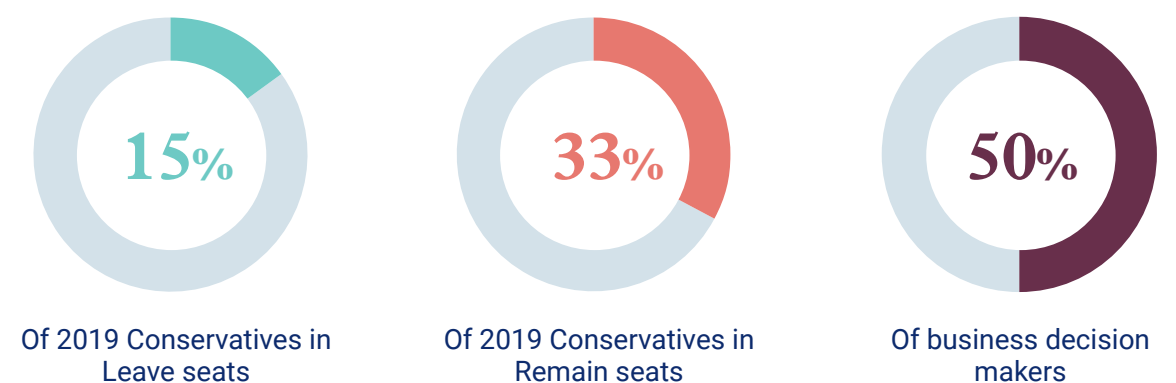
Conservative voters see a perceived lack of government spending on public services as a top concern – but business decision makers are much more worried about the uncertainty caused by Brexit.

Lack of government spending on public services...



50 per cent of business decision makers believe that the Government should not take measures to reduce low skill immigration – a view not shared by 2019 Leave and Remain Conservative voters.

The Government should not take measures to reduce low skill immigration...



Contact: polling@portland-communications.com for any questions, full data tables and further details of the methodology.



By

LORD JAMES O'SHAUGHNESSY

Member of Portland's Advisory Council, former Director of Policy for David Cameron and Parliamentary Under-Secretary of State in the Department of Health and Social Care

The new political and economic imperatives

Rishi Sunak has more to worry about than most new Chancellors. Not only was he thrust into the role – and his predecessor's half-developed plans – with just days before a Budget, but he also has to contend with a No.10 operation that is as powerful and interventionist as any since Tony Blair's heyday and without the countervailing force that Gordon Brown had assembled. And, of course, the near-term economic impacts of the coronavirus pandemic are still to be determined. If that wasn't enough, he is being forced to deal with a highly complex structural issue in our political economy which is that, for the first time in 40 years, the politics and the economics of Britain's future seem to point in different directions.

What do I mean by this? Since the early 80s, elections have been decided by the votes of a few hundred thousand people living in the

cities and their suburbs. Essex man, Worcester woman, Mondeo man – these archetypes speak to an upwardly mobile kind of voter who was attracted to the aspirational politics of Thatcher, Blair and Cameron. This fitted neatly with the economic drivers of Britain's renewal – the cities and their hinterlands, and the service economy. This is where the productivity gains could be made, growth and jobs generated, and elections won. Politics and economics in perfect synchronicity.

How different things are now. The politics of the 2019 General Election was, more than anything, about the completion of the democratic process unleashed in the 2016 referendum that gave voice to Britain's disenchanted citizens.

That means that the politics of Britain is no longer where the Treasury wants it to be. It isn't in London and the South East, the university

towns and larger cities, where the marginal pound of public investment provides the most economic bang for the taxpayer's buck. It's in the places that have the least, many of which have been in decline for decades, and where investment appears – according to the Green Book's cold, remorseless logic – to generate the lowest return on investment.

This is the exquisite balance that the Chancellor has to strike: how to reinvigorate a national economy where productivity has barely improved for a decade and where the new norm of annual growth seems to be less than 2 per cent, while engaging in a rebalancing – or levelling up, if you prefer – of economic activity towards those who need it most.

The Treasury has always been suspicious of such redistributive ideas. It has never liked enterprise zones, originally created in the 1980s, and has been slow to embrace the freeports proposal for the same reason. Treasury orthodoxy argues that all these programmes do is spread economic activity around rather than generate growth, and so they don't repay the tax breaks they cost. To which the answer might well be "Yes, so what?". Research I carried out for Onward last year showed that the public are prepared to sacrifice economic growth for a fairer distribution of the spoils, and one might assume that this is even more the case if the losers are people living in London. But these are hard arguments for pro-business Tories to stomach, so how might they square the circle?

For inspiration the Chancellor should look to the Irish Development Agency. By pursuing a highly-aligned (from the Taoiseach downwards), activist trade policy over 60 years, it has been incredibly successful in bringing in foreign direct

investment and then – crucially – making sure that every corner of the country benefits, not just Dublin. For the UK, not only would that involve making sure we have low Corporation Tax rates and rank more highly on ease of doing business, it would also involve working closely with every LEP (or equivalent) in the UK to make sure the forgotten towns of Britain see tangible results.

We know the Chancellor is intending a massive infrastructure spree, and that is important too. Just the sight of seeing a crane in situ gives people confidence that something positive is happening to their area, but what is really needed is a commitment to provide the kind of connectivity – physical and digital – that you would find in places like Germany and Japan.

Finally, the Chancellor should be looking to address Britain's chronic skills shortages, and this is where business can make the most difference. The politics of the UK in 2020 mean that immigration will be tightly controlled post-Brexit, even if the rules will be relaxed for a small number of the 'brightest and best'. Many in business are concerned about this – the care industry and agriculture, to name just two – but the truth is we have more than enough domestic capability to meet our needs. The problem is that 5 million adults are illiterate and only one-in-four have acceptable levels of numeracy, and all the while artificial intelligence is disrupting the labour market at an increasing pace. The answer to our skills challenge lies primarily on our doorstep, and it is concentrated in the places that are now the most politically contested. If business wants to help the new Chancellor to bridge the gap between his economic imperatives and his political masters, there is no better place to focus.

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For the first time in 40 years, the politics and the economics of Britain's future seem to point in different directions.

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Delivering from the centre: the new policymaking process

A critical question for the new administration to address has been how to translate its ambition for the country to delivery across Government and tangible outcomes for its new electoral coalition.

Centralisation of power over the policymaking process has been an identifiable trend – but the continuing role of individual departments and their Ministers should not be understated.

The resignation of former Chancellor Sajid Javid and the appointment of his replacement Rishi Sunak marked an opportunity for No. 10 to increase its influence over the Treasury. This has given the Prime Minister the chance to have more direct control over the fiscal rules, spending decisions and upcoming Budget than his predecessors who are usually more constrained by their Chancellor's priorities. It has placed the Prime Minister and his top team of advisers in a unique position to take control over both the policy and spending agenda of this administration.

With this increased influence, the Prime Minister faces difficult decisions around policy and spending priorities. He will need to decide if he wants to focus on the new northern electorate, delivering against manifesto commitments, taking difficult decisions early in the electoral cycle, or a business-as-usual Budget. Whilst making

these choices he will need to coordinate between the differing fiscal views of his advisers to decide on his priorities and approach in Budget. However, with a new Chancellor, large electoral victory and a strong centre, the Prime Minister's team are in a position to deliver the Budget they want.

To ensure the Prime Minister's views are represented in the Budget we have seen a new joint No. 10 and No. 11 Special Adviser team established. This is a shift from past administrations where the Chancellor had their own advisers. This team largely reports into No. 10 and makes sure that the centre's wishes are prioritised in the Treasury. And, whilst the Treasury machine will still be taking day-to-day spending decisions that tend not to require direct political attention, this Special Adviser team can focus on ensuring the upcoming Budget aligns with Downing Street's ambitions.

The Policy Unit within No. 10 has long acted as a vehicle for delivering the Prime Minister's policy objectives, coordinating across Departmental civil servants and Special Advisers to provide advice and policy moments. Now, with the move to take more centralised control over policy, the influence and importance of the No. 10 policy unit has increased.

They are in a position to shape the Prime Minister's key domestic objectives, including

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By

ELLIE LYONS

Director, former Special Adviser and adviser to Boris Johnson's leadership campaign.

investing in the NHS, tackling crime and levelling-up the country. And, in the run-up to Budget, the Policy Unit has been working hand-in-glove with civil servants and the joint No. 10-No. 11 Special Adviser team to shape some of the policy we can expect to see next week.

But, whilst we can expect the Budget to be driven more directly from No. 10 than past administrations, this should not detract from the fact that Departments and their fiscal and policy priorities still hold huge sway. Governing and directing policy across the machinery of government and complex structures is not an easy landscape to navigate. Even with No. 10's move to increase their influence, mastering a complete grasp on everything that Whitehall does is a difficult feat. Ministers and Special Adviser teams remain crucial – they are the

eyes and ears in departments tasked with directing policy, managing budgets, ensuring the day-to-day running of Government and driving policy implementation.

When looking at influence within this administration and where policy is originated, understanding the Prime Minister and his top team's priorities is important, they want to show progress against his pledges to the country and particularly the new electoral coalition. But, this is not the end of the power and importance of departments. The Ministers and advisers across government will continue to hold significant sway over policy and delivery. Beyond the increased power and influence at the centre, Ministers and departments remain key in making sure this administration delivers for their new electorate, for both Bolsover and Beaconsfield.



By

ANOUSKA GREGOREK

Senior Consultant, former Labour Party official and Head of Policy Development under Jeremy Corbyn.

New leader, new path for Labour?

This Budget will be the first opportunity for the Prime Minister and his new Chancellor to deliver some substance for voters who backed their Party at the election – and show they were right to do so.

Front of mind for the Prime Minister and Chancellor will be the realisation that their long-term majority is dependent on delivering – in particular – on the expectations of those Labour voters in the ‘Red Wall’ who lent the Tories their vote.

The contents of the Budget – and how it is received – will be clarifying for the Labour Party on the scale of the challenge to win back the voters who were lost to Boris’s election-winning coalition.

That Labour’s response to the Budget next week will come from its outgoing duo of Jeremy Corbyn and John McDonnell says something. It’s been almost three months since Labour’s worst election defeat in 84 years and the lengthy timetable agreed by its National Executive Committee means there is still a month to go until its contest for a new leader is over. This has been criticised for compounding the party’s problems with its focus being elsewhere when there have been many opportunities for an effective Opposition to hold to account a government that no-one could say was without its issues.

Labour’s response to this Budget is unlikely to be strategic – or tell us much about how they intend to go about building their own winning

electoral coalition. McDonnell, for his part, has set out tests in advance for the Budget to meet. These are on fair taxation; investment to end austerity; on the climate emergency and a social emergency he says is due to a chronic lack of investment in public services by the Government. The Party has published new analysis showing what they claim is a £194bn hole in Government infrastructure spending that has massively weakened the UK’s flood defences, and left bus services and the rail network fragmented – issues that are felt across the country, including in those key lost seats.

How will a new Leader approach building their own election-winning formula?

All three remaining hopefuls for the Labour leadership have set out some detail on the direction of travel if they should win. However, there has been a disciplined focus on who the electorate is in this leadership contest – it is not the wider country – and none of the candidates have strayed too far from the previous manifesto’s economic platform. Even frontrunner Starmer, seen as the most centrist of the trio, has committed to support the Green New Deal, to common ownership of rail, mail, energy and water, to increase income tax for the top 5 per cent of earners and reverse cuts in corporation tax.

Whichever vision wins out, it’s worth remembering that some of Corbyn’s ideas did chime with the public and contributed to a shift in the Government’s agenda in key areas, such as the energy price cap and water companies being told to slash bills. Labour’s new team will be keen to continue to hold

the government to account and this time – to get the credit for this from voters.

An urgent issue for the new Labour leadership will be how to win back those ‘Red Wall’ voters that deserted them. The local and mayoral elections in May will be an early test for the new leader. Reuniting the party is seen as a priority and many of the proposals set out by the Labour leadership candidates include measures to tackle issues internally such as: changes to party committees; addressing Anti-Semitism; as well as to look at how to broaden appeal to voters beyond London and urban centres.

But other wounds must be healed too. Since the election, much has been made of how much Brexit, and Labour’s seemingly convoluted position on it was (or was not) to blame for the loss of seats for the party in December. Many former Labour voters, including many of those in the so-called Red Wall seats, saw it as a final straw, symptomatic of how much the party didn’t listen to them, and had coalesced around the middle-class city-dweller vote. Many of these voters will have held their nose and voted Labour in 2017 but found themselves unable to do so this time.

For the new Leader – whoever that may be – there is much housekeeping to do and to do quickly. If the Party is to exert influence and win power, it needs a strategic response to Boris’ formidable capture of seats from Beaconsfield to Bolsover. The coming months will demonstrate whether the broader Party really has moved on from Corbynism.

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