



INTEREL INSIGHTS

Post-Election Analysis



Making sense of the chaos

As we take stock of last week's shock General Election result and the pieces fall into place, Interel has provided an analysis of events over the last few days and look at what is likely to unfold in the coming days and weeks.

1922 Committee

Theresa May's political future was dependent on her performance at the 1922 Committee meeting on Monday night. This is the influential committee representing Conservative backbench MPs.

By all accounts she hit exactly the right tone to win back enough support from her party and dissuade critics from forcing her out in the immediate future. Contrition, humility and a determination to get "out of this mess" may have given her some time to prove her leadership.

She is said to have acknowledged criticism of herself, and her leadership

style, and vowed to listen and react accordingly. Indeed, she has already replaced her two chiefs of staff Nick Timothy and Fiona Hill with outgoing MP Gavin Barwell, and is alleged to have promised Cabinet colleagues a more collegiate, rather than presidential style of leadership. Conservative backbenchers will now expect this Theresa May to be the one leading to country, not the Theresa May who led the party to a minority result.

Reshuffle

Rumours of a major reshuffle dissipated almost as soon as the exit poll hit the airwaves. Moving any big players down or out would have risked unsettling the delicate equilibrium keeping the Prime Minister in place.

None of the previous Cabinet Ministers have been removed, but there have been a few changes. The divisive Michael Gove, known to have an uneasy relationship with Theresa May, has been brought back as the new Environment, Food and Rural Affairs Secretary. One time leadership challenger Andrea Leadsom has become Leader

of the House of Commons, whilst her predecessor David Lidington has replaced Liz Truss as Justice Secretary. She has been moved to Chief Secretary of the Treasury in what is being seen by some as a demotion and by other as a sideways move. David Gauke is promoted to Secretary for Work and Pensions, whilst his predecessor Damian Green becomes First Secretary of State at the Cabinet Office, a role said to be not dissimilar from the one Nick Clegg had as Deputy Prime Minister during the coalition, in an effort to move Number 10 towards a more inclusive style of leadership than it has exhibited in the last 12 months.

DUP negotiations

The Democratic Unionist Party is the kingmaker in this hung parliament. Theresa May has been in negotiations with the DUP since last Friday, but no agreement has been reached yet. Embarrassingly, Number 10 were forced to retract an erroneous statement that a deal had been done on Saturday evening. Mrs May met DUP leader Arlene Foster on Tuesday and it is be-





lieved a deal is close to being finalised. The DUP are now saying that any announcement will be delayed due to the very tragic events of Wednesday morning of a fatal tower block fire in West London, but Downing Street are briefing that any talk of delay is not coming from them, which may point to further potential problems to come.

A confidence and supply relationship is the most likely outcome, which means the DUP would back the Government on an issue-by-issue basis rather than any formal coalition or taking a seat in the cabinet. Crucially, this would require support for the Government's budget.

The DUP is in a strong position to bring home the bacon for Northern Ireland, including increased funding for Stormont and increases in health and education spending, although this is at odds with the Conservative manifesto. What is perhaps more significant is the consequences for Brexit and power sharing between the Northern Irish parties.

The DUP will want a softer Brexit to maintain, as far as possible, current cross border arrangements with the Republic of Ireland. Former First Minister Arlene Foster has said this is a red line for negotiations.

In addition, Sinn Féin, the DUP and other parties are in a renewed effort to restore the devolved assembly in Stormont. The Irish and UK Governments have previously been brokers in these negotiations as neutral parties. However, the UK Government's impartiality may be jeopardised if they are to rely on DUP support in Westminster. Failure

to form a new power sharing Executive may force another snap election in Northern Ireland, which no side wants, or a return to direct rule, which is regarded by nationalists and the Irish Government as illegitimate. The continued stalemate will have to come to an end and will require careful negotiation, which is currently underway.

Another dynamic to these negotiations is the relationship with the Scottish Conservatives and their leader, Ruth Davidson. The DUP is the political home for devout Protestant Christians, many of whom oppose gay marriage and abortion. This is very much at odds with the views of Ruth Davidson, who is a firm supporter of LGBT rights. Crucially without the 12 new Scottish MPs, which were secured due to the strong national appeal and campaign run by Davidson, May would not have been able to form a minority government. Davidson has sought assurances that any deal with the DUP would protect LGBT rights.

Impact on Brexit

Stripped of her authority, Mrs May is now caught between the Brexiteers who will plot against her if she softens her approach, and the pro-Europeans who have renewed hope for just that. This is further bolstered by the need to do a deal with the DUP and the election result, which it could be argued, removed the mandate for a hard Brexit.

An indication of her intentions was the appointment of Steve Baker, the

staunchly Eurosceptic MP, as a Minister in the Department for Exiting the EU. This was an indication, as reiterated by David Davis this week, that the Government does not intend to alter its approach to Brexit with regards to membership of the Single Market or Customs Union. Baker has spoken of a "clean exit" in terms of minimising disruption, but a real Brexit controlling laws, money, borders and trade at UK level.

With Brexit negotiations due to start on Monday, the DUP deal not yet finalised, and May's authority in serious doubt, she will need a strong poker face to get through these initial stages.

Queens Speech and Parliamentary Business

This week saw the start of the process of MPs being sworn into the House of Commons and John Bercow was re-elected as Speaker of the Commons, allowing Theresa May to humbly quip that at least someone got a landslide.

The next big event will be the Queen's Speech, which is given at the State Opening of Parliament and marks the beginning of a new Parliamentary year. It was due to take place on Monday 19th June. However, it is now going to be delayed due to the hold up in negotiations between the Conservatives and the DUP.

This speech will set out the Government's legislative agenda for this Parliament, which may now hinge on what the DUP has agreed to back.

Given the fragility of May's majority and the DUP agreement, the Conservative manifesto may well be stripped to its bare bones and any contentious measures are likely to be abandoned to avoid defeat in Parliament.

We may see core DUP manifesto commitments be included, such as the abolition of short haul Air Passenger Duty for Northern Ireland, and May could use the DUP deal as a convenient way to drop unpopular policies such as the plan to scrap the triple lock on pensions, the "dementia tax", and means testing winter fuel payments. These could be replaced with a pledge to launch a consultation on the future of social care instead. We are also unlikely to see the removal of the ban on grammar schools, which had caused unease even in the Conservative party.

A large proportion of the Queen's Speech will be to legislate for Brexit, including the Great Repeal Bill. It is also understood that alongside this there will be several other bills on topics which could include immigration, tax, agriculture, trade and customs regimes, fisheries, data protection and sanctions. All of which provide opportunities for MPs and Peers to shape the direction of Brexit.

With no formal majority, and renewed tensions in the Conservative Party over the shape of Brexit, Mrs May faces an almighty challenge to oversee one of the largest constitutional and legislative projects ever undertaken in UK history.

Labour and Lib Dems

The Labour Party is a remarkably happy place at the minute, something it has not been for the last two years. After a surprisingly good set of election

results, Jeremy Corbyn seems to have vanquished much of the criticism that has haunted him throughout his leadership. Most in the Labour Party seem content now to get fully behind him and it is rumoured that heavy hitters Ed Miliband and Yvette Cooper could return to the frontbenches.

A question remains over whether this popularity wave that Corbyn currently rides may have already hit its crest. Corbyn, unlike May, is a campaigner. He has been at his best when he has been in campaign mode; both during the two leadership elections and in this General Election (although interestingly not so during the EU Referendum campaign). As Leader of Her Majesty's Opposition, Corbyn has struggled to portray himself as a Prime Minister in waiting, and statesmanship is an art he seems yet to have mastered. He will find it easier growing into the role if his party can unify around divisive issues, none more so than Brexit.

Having had a difficult campaign, Tim Farron has resigned from the post he held for two years as Leader of the Liberal Democrats. Despite increasing their seats in Parliament from 9 to 12, this fell far short of Lib Dem hopes and crucially was nowhere near early predictions. Mr Farron had a dreadful start to the campaign, finding himself dogged by questions about his views on LGBT rights, and unable to get break through on any other political issues until later in the campaign. The party will now choose a new leader, with Jo Swinson and Vince Cable, who both retook their seats in this election having lost out in 2015, favourites for the job.

Another election

Another election in the next 12 months would mean a fifth national vote in five years. But with turnout slightly up from 2015, political fatigue does not seem to have taken root just yet.

If another election is called, it would likely be out of necessity, not opportunism as it was this time. If the Conservative deal with the DUP collapses or legislation can no longer move through the Commons, the chamber may become effectively defunct. Likewise, if a bill emerges which threatens to radically undermine the Government's position on Brexit, the Prime Minister might think it obligatory to get a renewed mandate on the issue. An election could also be forced by a motion of no confidence, which could happen at any time.

Labour would be up for the challenge. However, the Conservatives, scarred by the last campaign, are currently in no fit state to fight another election, and would be nervous about losing. The most significant strain would be on the smaller parties. The SNP, Lib Dems, Greens and UKIP don't have the same financial backing as the larger parties and struggled to cut through in an election which saw a shift back to two party politics. They all saw a decreased vote share in last Thursday's election and they may find it even harder to raise enough funds to maintain the kind of campaign infrastructure needed to compete with the Conservatives and Labour. Another election within 12 months could be one fought almost entirely between the two parties, possibly leading to some different dynamics in the results.





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