

General election 2024 Navigating political change

KPMG Board Leadership Centre

After an intense period of election campaigning, the UK voting public has delivered its verdict: a Labour government with a comfortable majority. Sir Keir Starmer has entered office as the first Labour Party Prime Minister in 14 years. For many business leaders this will be the first Labour government they have dealt with in their C-suite level career. It's therefore no surprise we are seeing a growing number of businesses seeking to understand what this means for them.

With a new set of decision-makers in Westminster – and more crucially a new policy programme for government – attention now turns to the weeks ahead. A period of political change will undoubtedly have an impact on firms both based in the UK and those operating further afield.

Boards can play an important, proactive role in assessing the opportunities and risks that will emerge from a transition to a new Labour government. We have set out some of the key considerations below to support this work.

Why elections matter for business

We sometimes hear that ‘business and politics should never mix’. Others struggle to identify the ‘so what’ of political change and view the outcome of domestic elections as largely inconsequential for business.

The last decade alone has challenged that view to breaking point. There has been a steady drumbeat of political shocks starting with the 2014 Scottish Independence Referendum, the 2016 EU referendum and subsequent Brexit negotiations, a global pandemic, an energy crisis, and wars in Ukraine and the Middle East. And – of course – five British Prime Ministers too.

We've entered a new era where political polarisation is growing, and the result is a world in which political uncertainty is the new normal. The search for a utopian world that provides ‘long term political certainty’ is a futile exercise. Even if – as a business – you have no real desire to shape public policy, you can be certain that public policy will shape your organisation in some way.

Another ‘new dawn’ has broken in UK politics. A period of further political change is on its way.

What does a Labour government mean for business?

Many business leaders have already been closely following the Labour Party's policy proposals in recent months, including those set out in its election manifesto, [Change](#).

And rightly so. A core part of planning for political change should focus on the stated policy priorities of an incoming government. Identifying the legislative and regulatory proposals that would have the most significant impact on your business is an important place to start.

A manifesto, though, can only ever tell you so much, and political parties often opt to hold back on detailed policy proposals prior to polling day. It helps, then, at the outset to understand the overarching vision of the new Labour government: the values they believe in, the aims they pursue, and the outcomes they want to achieve.

Keir Starmer's vision

So what will Prime Minister Keir Starmer look to deliver now that he has secured the keys to Number 10? And how will this impact business from a strategic, operational, commercial, and reputational perspective?

Let's start with the big picture. Starmer is not a career politician and does not proactively seek to define what ‘Starmer-ism’ means. His legal profession background, including his role as Director of Public Prosecutions, means he is likely to adopt a more practical, hard-headed approach to policy decisions, albeit informed by traditional Labour values.

However, both his **'five missions'** for government and his six 'first steps' pledges, alongside Rachel Reeves's proposals for **'securoconomics'**, go a long way to defining his view of the role of government.

In short, it's a belief that the state has to **be a more engaged, active partner with business** – including through initial state funding – in order to crowd in further private sector investment. In return, he will expect more from business, including on workers' rights.

If that's the overall approach, then, how does it translate into individual policy commitments in the manifesto and beyond?

Industrial Strategy and growth

There are a few areas in particular where we see this vision being implemented. At the heart of Labour's plans for growth will be a new **Industrial Strategy**, setting out long-term policy roadmaps for specific priority areas across the UK economy.

Sector-specific plans have already been published – including for **automotive, financial services, and life sciences** – and we expect to see more in the coming months. Some industries, such as rail as a result of renationalisation, will be particularly affected by policy proposals outside of the Industrial Strategy too. Understanding where public investment will – and will not – be prioritised can help to inform Board conversations on future commercial opportunities.

This strategy will co-exist alongside Labour's flagship **Green Prosperity Plan**. While the overall investment into the scheme has been scaled back in recent months, the plan remains central to the party's vision for government. An ambition to achieve **clean energy by 2030** remains in place, driven by a new £7.3bn **National Wealth Fund** investing in the green industries of the future including gigafactories and hydrogen, as well as a new publicly owned **Great British Energy** company.

Labour are proposing other key enablers of growth, too: a more liberalised **planning system** including commitments to speed up the system as part of a wider package to build a new generation of New Towns and 1.5 million new homes. The new government is also promising **further regional devolution**, building on the success of Metro Mayors.

Workers' rights

The Labour leadership would argue that stronger workers' rights are also enablers of – rather than barriers to – wider economic growth. A more secure, prosperous workforce is seen as a potential solution to the UK's longstanding low productivity problem.

The party's **Make Work Pay: Delivering a New Deal for Workers** proposal will be a key legislative priority of Labour's first 100 days in office. This would introduce a range of **'day one' rights for workers**, including sick pay, parental leave, and protection against unfair dismissal. A 'ban' on 'exploitative' zero hours contracts is also under consideration.

Labour has pledged to consult fully with businesses, workers, and civil society on these proposals prior to passing legislation, and we expect there to be an implementation period for any major changes. Boards can get ahead of this by assessing how the proposed measures could impact on their organisation's employment strategies and existing internal policies related to employee rights.

Tax

Business leaders have also been watching with interest during the election campaign to learn more about Labour's proposals on **tax**.

The party's flagship revenue-raising tax measures have generated significant press coverage, with Rachel Reeves proposing to go further than the current government on reform of the **non-dom system** and **windfall taxes** on the oil and gas sector, as well as closing the carried interest **'loophole' on private equity gains** and removing the VAT exemption on **private school fees**.

Greater clarity on the direction of tax policy has long been a key ask from business. Labour's response: a new **business tax roadmap** – published in the first six months of entering government – setting out scheduled changes to corporation tax reliefs and capital allowances for five years.

Some aspects of this roadmap have already been confirmed, including a commitment to not raise **Corporation Tax** above its current rate of 25% during the next Parliament, and a pledge to act further if the UK's competitiveness comes under threat. Labour has also pledged to maintain **R&D tax credits**, the **patent box regime**, and the **annual investment allowance** for small business.

There is also an ambition to replace business rates with a **new system of business property taxation** that aims to rebalance the burden between high street businesses and digital multinationals, but the party has not yet given a clear indication on what the replacement will look like.

With Keir Starmer's economic inheritance looking set to be gloomier than that enjoyed by Tony Blair – and with growing pressures on public services – questions will remain around the possibility of further revenue-raisers being announced at the first Budget Statement.

ESG

Against this backdrop of policy announcements, Boards should **expect a strong focus on ESG to continue**. Under a Labour government, businesses will be expected to dial up – not down – their activity in this space.

Given the extensive green economy commitments, the **'Environment'** strand will remain a core part of the ESG agenda, with expectations for firms to go faster on key climate commitments, including achieving net zero. As set out in Labour's manifesto, UK-regulated financial institutions – including banks, asset managers, pension funds, and insurers – and FTSE100 companies will be mandated to develop and implement transition plans that align with the 1.5°C goal of the Paris Agreement.

We also expect an increase in focus on the **'Social'** strand, with businesses increasingly needing to demonstrate a clear narrative on their wider social value, particularly if they wish to secure public sector contracts.

At the same time, a Labour government is likely to have high expectations of business to showcase best practice in the **'Governance'** strand, including on fair pay, tax affairs, and stronger engagement with trade unions.

All of this reflects the direction of travel within the UK. However, with the UK shifting towards the left politically at the same time as other major economies shift to the right, businesses with a global footprint will have to adapt to a range of approaches and regulations on ESG, as well as wider global public policy issues such as AI. A politically dislocated, fractured world could well see UK businesses with global HQs being pulled in very different directions.

Delivering on this agenda: what happens next?

We've outlined a selection of policy commitments above that have been made within the party's manifesto, as well as associated deeper-dive policy papers from Labour in recent months that expand on their headline pledges.

Attention now quickly turns from campaigning to governing, and ultimately delivering on this agenda. With a comfortable majority, we expect that Starmer will face limited difficulties in pushing ahead with legislation in the House of Commons.

Given the scale of the victory, the new PM may also feel that he has sufficient political capital to tackle issues that would otherwise be deemed as 'too difficult', such as closer relations with the EU and social care reform.

What should we expect, then, from the first few months of a Labour government? With new Cabinet ministers now in place, the next big moment will be the **King's Speech** on 17 July, setting out Labour's initial legislative priorities for the year ahead, focused on its core manifesto priorities.

New Government Ministers will also need to quickly get to grips with the inner workings of Whitehall and the pressures of being in office. For most of Starmer's appointments, this will be their first time carrying the ministerial red box. Adjusting to the transition from opposition to government can often put a brake on the pace of 'first 100 day' activity.

That said, we should expect a flurry of activity during this period, including a proposed **Investment Summit**, further details on **workers' rights** proposals, and **establishing new public bodies** set out in the manifesto. Starmer will also quickly be undertaking his first international duties in the role amid all this, including a visit to the **NATO summit** in Washington and hosting the **European Political Community** in the UK.

After the parliamentary summer break, Rachel Reeves and her team will prepare for the first **Budget Statement**, which we expect to take place in September or October. This will introduce many of the various tax changes outlined in the manifesto, and could go further depending on the scale of the economic challenge and political capital the new administration has.

The board's role

Navigating political change successfully – now that Labour has entered 10 Downing Street – will require businesses to look to the future and understand the risks and opportunities arising from a new policy agenda.

Boards can play a critical role in supporting and scrutinising this work. While executive leadership is likely to be responsible for implementing any operational changes, a broad, diverse group of Non-Executive Directors can help to bring new perspectives to this exercise.

How is this achieved in practice?

- **Actively encouraging a diverse range of perspectives.** Ensuring that you have a diverse range of opinions and political viewpoints allows organisations to better stress-test political assumptions underpinning your preparations. This does not need to be party political: a range of socio-economic and career backgrounds will help to minimise any blind spots.
- **Stay politically alert.** A wide range of intelligence gathering and current affairs inputs can help Boards to stay up-to-date on policy announcements and emerging priorities. Consider the role that external support – or internal Corporate Affairs teams if established – can play in assisting with political monitoring.
- **Assign responsibility.** Having a single nominated lead within the senior executive team for updating and scrutinising an organisation's adaptation to a change of government helps to avoid duplication and ensure accountability.
- **Always focus on the 'so what?'** It is very easy to hold interesting – but ultimately fruitless – discussions on what is happening in UK politics. Anchor your conversations around a risk map or PESTLE exercise to ensure you can move beyond Westminster gossip and focus on what matters: the impact on your business.
- **Understand the bigger picture.** In many cases, the impact of an election isn't felt overnight despite much talk about a crucial 'first 100 days' in office. Legislation takes time to pass and implement but understanding what is coming down the track politically can help you to reap benefits in several years' time.
- **Remember: it's not all about the UK.** Yes, a change of government in Westminster is likely to have the most direct impact on businesses in the UK. But for firms with global operations, or those with complex supply chains, events elsewhere in the world must also be monitored for impacts: be that the US Presidential Election or events in the Middle East.

Five key questions for Boards to consider:

- 1. What are the opportunities that could emerge from a change of government?** Understand the commercial opportunities – such as new contracts with government – as well as the wider impact on your employee base.
- 2. What are the risks a change of government could present?** Assess where Labour’s policy proposals could make it more difficult for you to run, invest and grow your business.
- 3. Are there any ‘no regrets’ decisions you can take?** Some areas of policy enjoy broad cross-party support, such as greater devolution and support for technical education. Businesses can factor these into their decision making with greater confidence that these policy areas will be pursued in the long-term, even beyond a single electoral cycle..
- 4. Should you have a voice on public policy?** Some businesses may wish to influence the public policy agenda of the new government, either through public comments or input into technical consultations. Any agreed approach should be carefully considered and scrutinised by the Board from both a commercial and reputational perspective.
- 5. What are the emerging geopolitical risks and opportunities?** Having a global outlook on political developments is more important than ever, particularly for firms with supply chains and operations spanning numerous continents. Utilise your firm’s international network where possible.

Looking ahead

We have entered a historic period of political change, both in the UK and globally. Boards that recognise the need to anticipate the impact of this change early on will be best placed to navigate the opportunities and risks that this change will bring.

The KPMG Board Leadership Centre

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CREATE: CRT156551A | July 2024