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POLICY, POLITICS AND PROBLEMS AHEAD: WHAT TO EXPECT IN 2019

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THIS IS OUR REPORT ON POLICY, POLITICS AND PROBLEMS AHEAD: WHAT TO EXPECT IN 2019

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EXECUTIVE SUMMARY: WILL DOMESTIC POLICY FINALLY TAKE BACK CONTROL?

The year ahead in UK politics will be a big one, and that is an understatement.

Parliament will spend much of the next few months debating, voting and likely continuing to disagree on what Brexit means and how to withdraw in an orderly fashion. While there is a deal before Parliament, it is not clear this will be the terms of our exit, and there still remain questions over what the future relationship will entail. It is hard to say with any certainty what will happen in the early months of 2019. What remains clear is that 29th March will not be the end of Brexit and it will continue to shape the environment for every industry and organisation whether it seeks to actively engage with Parliament or not.

Even if an orderly Brexit can be agreed ahead of Brexit day, the UK will still have to wrangle with the complex questions of trade and what European regulations our government wants to maintain. This freedom, trumpeted by those who see the opportunities of leaving the EU, will continue to be high on the agenda of government and business. While the framework for the future relationship affords UK citizens and businesses some idea of what the future may entail, there is still much to negotiate with both the EU and other prospective trade partners.

What remains to be seen is whether the May government has the support to forge this future relationship, or whether the rivals in her party and outside will have sufficiently destabilised her leadership. Theresa May successfully saw off a vote of no confidence in her leadership of the Conservative Party last year, but to secure victory she was forced to confirm she would stand down before the 2022 General Election. Now rival power bases in the Conservatives are clearly making moves, with Jeremy Hunt and Sajid Javid the early movers. It would also be foolish to discount the ambition of over a dozen Conservatives who see themselves as the potential unifier of the Party. It may be too early to mark the 12th December 2019 – the anniversary of the vote of no confidence in May when another vote would officially be allowed to take place again – in our diaries. However, 2019 will be a year of continued speculation about leadership of the government.

Outside of Brexit and the drama at the centre of government, politics is set to see key set piece events which will shape policy debates and agendas for years to come. After a Parliament which has lasted two years, we are due a Queen's Speech which sets out the programme of a post-Brexit government. It will be an opportunity to restate the domestic agenda and reiterate the driving motivations of the government through new legislation. Yet, due to the all-consuming nature of Brexit, government may be on the lookout for off the shelf solutions from industry which meet its overall agenda to make markets work for consumers. This will also be true with the Spending Review, which will set the government's spending priorities for the years ahead. While there are obvious challenges to meet, the year ahead features opportunities to engage that don't come around every year.

And what of Jeremy Corbyn's Labour Party? After the near unqualified success of 2017, 2018 was a year which saw the opposition stutter through scandals and poor local election performances. Maybe peak Corbyn has been reached, or 2019 could be the year in which the party pushes ahead, battle hardened and ready for government. Whatever criticisms there may be of the Labour Party, they are closer to being in power than at any point in recent memory. Their policy proposals should be taken seriously, and its leadership is having a clear influence on the direction of the current government – something which will no doubt continue through the year.

As WA looks ahead to 2019, our team of consultants unpack the key issues impacting the sectors they specialise in, considering the challenges and opportunities ahead. It is clear that 2019 will be challenging for many sectors across the UK, with new policy, regulatory and reputational issues arising across industries. Our team is ready to help you navigate this turbulent environment, and provide bespoke and specialised support to meet your needs. If you want to discuss the coming year and how WA can help you, do not hesitate to get in touch.

ROLLING BACK THE FRONTIERS OF MRS THATCHER'S STATE: THE 2019 OUTLOOK FOR UTILITIES AND REGULATED SERVICES

ARGUABLY ONE OF MARGARET THATCHER'S DEFINING ACHIEVEMENTS AS PRIME MINISTER WAS THE PRIVATISATION REVOLUTION, DESIGNED TO MAKE UTILITIES MORE EFFICIENT AND PRODUCTIVE.
THAT VISION NOW SEEMS A DISTANT MEMORY. FOR THE FIRST TIME SINCE THE 1980S, UTILITY COMPANIES ARE FACED WITH UNPRECEDENTED LEVELS OF SCRUTINY AND RENATIONALISATION IS NO LONGER A THREAT, BUT A REAL PROSPECT.

A combination of high prices and poor service has severed trust in the UK's utilities, and there is no silver bullet to remedy the lack of confidence in the sector with concerns around transparency, value for money and trustworthiness continuing to linger.

It's no secret that Jeremy Corbyn and John McDonnell would like to renationalise the UK's major utilities as they believe that a set of centralised, publicly owned assets would be more accountable to the people they serve. While these arguments used to fall on deaf ears, the precarious position of the Conservative government has given Labour renewed hope that their plans could soon become reality. If a General Election is held in 2019, it could prove to be a watershed moment for the sector, with the prospect of Labour holding the fate of the industry in the palm of its hand.

With renationalisation proving to be popular (at least in theory) with the electorate, the government is responding with its own, albeit more limited, form of intervention. As Prime Minister, Theresa May has viewed the utility sector through a prism of consumer protection, most notably intervening to introduce an energy price cap – a key plank of Labour's 2015 General Election campaign. May's rhetoric has been backed up by decisive action, showing that she is prepared to intervene and reform markets where they are failing consumers.

> Amidst political pressure, regulators have also kept the conduct of utilities in check, and no sector has borne the brunt as much as the water industry.

Unlike most industries in the UK, water services are not provided in competitive markets. Ofwat, the regulator, guards against companies charging higher prices by setting price controls. Last September, water companies were made to submit their business plans for the next price review, and final price limits will be a defining moment for industry. When they are published in December, expect price controls to focus on consumer service and productivity, which could have a big impact on share prices.

The water sector has proactively responded to these threats, with the trade association, Water UK, setting out £50 billion of investment proposals covering 2020 to 2025. Yet this was instantly put to the sword by Ofwat, as they only a week later, put together a chart comparing companies and the way proposals will affect consumers. With Labour's threat of nationalisation looming too, the industry seemingly cannot cut a break.

Similarly, the energy sector faces an uncertain time in 2019. Eight companies went bust through 2018 as Ofgem intend to make full use of the energy price cap. Network operators are also presented with changes following Ofgem's consultation on the RIIO-2 price controls. The central focus of these controls is to reduce gas and electricity network costs for current and future consumers and Ofgem has recently announced that it will be holding public meetings to scrutinise network companies' business plans as part of the process.

With much of the sector on the defensive, it's clear the next few years will define the regulatory framework that holds the UK's utilities to account. However, external pressures are not the only factor shaking up the status quo within the utility sector.

The commoditisation of telecommunication (telco) companies is seeing them emerge as a new brand of utility, and the UK is now home to a series of challenger providers that are reshaping the market. The new battleground in this sector is the rush to rollout full fibre broadband with multiple companies competing for a slice of the market. Yet if challenger telcos like CityFibre (who recently announced a multibillion plan to connect 5 million homes) are to succeed, they will be looking to the new Digital, Culture, Media and Sport Secretary, Jeremy Wright MP, to deliver the right policy and regulatory framework. Specifically, they are looking to the government and Ofcom to keep the incumbent, Openreach, firmly in check and to deliver a level playing field. Jeremy Wright has yet to clearly define his position in relation to the various competing parties in the sector. The extent to which Wright takes a proactive interest in this area in 2019 could go a long way to defining the shape of the UK's telecoms market for years to come.

As we enter 2019, the prospect of a General Election makes nationalisation a real possibility. With traditional players facing obstacles and threats, the new kids on the block are ready to grasp the exciting opportunities presented by the UK's drive towards full fibre broadband rollout. If they can secure government backing, challenger telcos are primed to challenge the established players and shape this rapidly transforming market.

LIGHTING UP THE YEAR OR FIZZLING OUT?: ENERGY AND INFRASTRUCTURE POLICY IN 2019

Outlook for the sector and government priorities

Politicians of all stripes are always keen to – and feel pressured to – show they are taking action in relation to the energy market. 2019 will be no different. The endless slew of government commissioned reviews, white papers, and regulatory initiatives will continue. As politicians seek to show that they are on the side of consumers, the energy market will be the number one area of focus. Similarly, with regulators under greater scrutiny than ever, Ofgem must show that it is responsive to government agendas, particularly the Industrial Strategy, and taking action to improve consumer outcomes.

Government's approach to the energy sector sits broadly in two parts, albeit strongly linked: consumers and the retail market; and power generation and decarbonisation.

Business Secretary Greg Clark has been clear that he believes the supply side of the sector is going well. The government's focus is on embedding the remedies to create a more competitive market, following the CMA's investigation and ensuring that these reforms have an impact on creating an energy retail market that works effectively for consumers.

The government's ultimate retail market objective since the CMA's review of the sector has been to reduce consumer costs. This has focused on encouraging additional competition and greater switching, and the introduction of the energy price cap.

This year Ofgem has already announced the price cap will be raised in April meaning savings will be reduced for consumers. Following this, expect more attention on how exactly government can embed change, match their rhetoric and ensure the market works for consumers.

The government will continue to face new challenges in 2019, with multiple small suppliers continuing to fail due to financial pressures. With successive governments emphasising the role of new entrants in reducing bills and creating a thriving market, the reputational risk to policymakers as small suppliers face high levels of customer service complaints and financial uncertainty is immense. As such, Ofgem is under pressure over the fitness of the licensing process.

On power generation, the focus in 2019 will be less on policy implementation and much more on policy reform and development. Since its publication, Helm's detailed recommendations had all but been ignored, seemingly kicked into the long grass. November finally saw Greg Clark responding to the review, though he faced criticism for praising the report while setting out little concrete action as to how its recommendations would be implemented. Clark did, however, promise a white paper would be coming early in 2019 - a key milestone for the sector to anticipate.

Data and the future of regulation will be key priorities for policymakers in the energy and infrastructure sector this year.

Following the CMA's market investigation and increased public scrutiny, a number of cross-government initiatives will consider the future of regulation which will raise scrutiny of Ofgem and its activity. This includes an independent review by the National Infrastructure Commission into utilities regulation, a Ministerial Working Group on Future Regulation chaired by Greg Clark, and a review of code governance. Former Conservative MP Laura Sandys' recent ReShaping Regulation report will be influential in shaping the future regulation agenda. Sandys was an influential Conservative MP and is currently serving as Chair of the government's Energy Data Taskforce, her findings will carry weight for both government and industry. There will also be an expectation that efforts to introduce Midata in the energy sector – following the success of Open Banking – will progress. Expect reforms suggested by these initiatives to focus on consumers and competition.

And what of the Opposition?

Labour's headline policy is widely understood as nationalisation of the energy industry. However, 2019 is likely to see greater scrutiny of just what this means in practice. Below the headline rhetoric, there is a level of nuance that the industry will be seeking to explore further. Most of the focus of Labour's nationalisation plans is on bringing networks into public ownership and increasing competition in supply through emphasis on smaller, local generation and establishing different supply models.

And Brexit?

A no deal scenario – which, as the clock ticks down, becomes more threatening to the sector – would have huge ramifications for the energy industry. The implications for interconnectors in particular will be a priority for government in any agreement reached with the EU, and in no deal contingency planning. Again, the status of the Northern Ireland border is a pivotal issue with the island of Ireland currently a Single Electricity Market (SEM). The Withdrawal Agreement preserves the SEM but collapse of it in other scenarios could see blackouts and drastic price rises of up to 34 per cent according to a leaked earlier draft of contingency papers. 2018 saw officials exploring plans to supply power to Northern Ireland from generators on boats in the Irish Sea under a no deal scenario.

Political and media focus is intensifying around the energy industry. Government has spent 2018 laying the foundations of its policy direction; in 2019 expect to see new challenges arising while government considers how it can embed the change it has initiated and create an energy retail market fit for consumers.

HOUSING POLICY AT HOME IN 2019?

Laying foundations

Since the Prime Minister's declaration that fixing the housing market is her personal mission, the sector has faced a slew of policy announcements. We have seen the much anticipated revisions to the National Planning Policy Framework, the removal of the borrowing cap on councils for social housing, and proposals to speed up the buying and selling process.

You would be forgiven for thinking that, in light of all this activity, minsters would be looking forward to a quieter year in 2019. However, there is no sign that government is done 'fixing' the sector.

The government's headline ambition remains the same - to deliver 300,000 new homes a year. It believes that years of chronic undersupply has to be addressed head on, and government will continue to focus on this.

What has been notable in recent months is government's refinement of this aim. In early 2018 the focus was clearly on overall new build numbers and the Chancellor's budget and spring statement aimed to support industry-wide investment. Latter months saw government re-prioritise to focus on diversifying the housing stock to ensure the market does not disadvantage the consumer. This means more affordable, social, private rented and specialist housing which can accommodate the needs of everyone.

Brick by brick and Bill by Bill?

The Secretary of State, James Brokenshire, is clearly more supportive of direct government intervention than his predecessor, current Home Secretary Sajid Javid. In this context, 2019 may see greater levels of change as the Secretary of State and his department seek to make a mark. Key consumer protection policies introduced this year include the Tenant Fees Bill, and the expected publication of the long-awaited response to the consultation on long-term tenancy guarantees for tenants in the private rented sector. The Ministry for Housing, Communities and Local Government will also have to make progress on its digital agenda, on which it has pinned many of its hopes for delivering a faster and more consumer-friendly home buying and selling process.

The coming year may also set the longer-term agenda for the government. With a Queen's speech expected in Summer 2019, No.10 may conclude it is ready for wider legislative changes. Introducing a centre-piece housing bill would be a clear marker that government wants to re-focus on its domestic agenda following Brexit and leave a lasting legacy of reforms. External groups will continue to be a key driver of government thinking in this policy area, with Conservative think tank Onwards clearly setting its sights on shaping the party's housing policy. It will no doubt seek to put more pressure on ministers and government to make meaningful change which benefits consumers while retaining Conservative principles of the free market and role of home ownership. What still remains to be seen is whether the Prime Minister and Chancellor will sign off on more radical policies which mandate long-term tenancies or restrict help to buy, given reports through 2018 suggesting hesitation from Number 10 and 11 to intervene in the market.

Housing policy is one of the major sectors in which the government has clearly been driven by the opposition. Labour backbenchers like Karen Buck and David Lammy have elevated the status of building conditions in the private rented and social housing sector, and have put pressure on ministers to act. Given this, as well as the effective scrutiny of the Shadow Secretary of State John Healy, there is not a huge gulf in policy between the parties. It makes for a richer, if more niche, debate but means that the influence of Labour is about the degree to which a change takes place, not if or what it is.

A half-way house to change?

There remain big public policy questions which government has yet to fully grasp since May's prioritisation of the sector in 2017. If government is to meet its challenges to 'fix' the sector, it will have to more clearly articulate the kind of market that it wants.

One area that has only received piecemeal attention from government is the role of accelerated and off-site construction methods. To date, it has been primarily deployed by local authorities, which have used it as a quick way of delivering much needed housing to meet local Housing Plans. However, if government is to effectively deliver more affordable homes at speed, they will have to consider the methods which can best achieve this. The Housing, Communities and Local Government Select Committee has begun this process with its recently announced inquiry on accelerated construction methods. The sector will be watching closely to see how bold parliamentarians and government are willing to be.

It has become the new normal in the housing sector to experience a large number of policy announcements, consultations and funds to support the sector. However, the question that will continue into 2019 is whether it achieves a sizeable change in the market or practices in the industry. This does not mean it will be an ordinary year. Government's refined proposition for the future of the sector has the potential to impact businesses and consumers more than proposals which have gone before.

PLANES, TRAINS AND AUTOMOBILES: TRANSPORT POLICY IN 2019



Transport in 2018 was a "vehicle" for a number of broader policy debates, from climate change to nationalisation. With the conversation surrounding infrastructure and a low-carbon economy building momentum, this trend will continue in 2019 with several set-piece strategies and reviews set to shape the course of the transport sector.

First on the agenda for transport is Brexit. The nature of the UK's exit from the European Union has the potential to affect all four of the major transport policy areas: aviation; railways; roads and road-based transport; and ports and maritime. The freight and logistics industries rely on the frictionless functioning of these sectors. The deal proposed by Theresa May would reduce disruption to these areas, with an Air Transport Agreement and bilateral rail agreements with relevant member states included as part of the deal. However the lingering threat of no deal could still put a few bumps in the road.

The fraught international picture aside, there will be plenty going on in 2019 to keep transport buffs busy.

Aviation: up in the air

The government published its Aviation Strategy at the end of 2018. It is set to publish a green paper in 2019 detailing government's priorities for aviation up to 2050, over which time technology and consumer behaviour will change drastically. The consultation is an important step for government and industry to work together on sustainable growth, improving passenger experience, and expanding the UK's global aviation connections and consumer choice.

Railways: all change?

On the railways, 2018 was another traumatic year and the chaos that affected Northern and Govia Thameslink might rear its head this year too. The Williams Rail Review is due to report early in 2019 and will examine commercial models for the provision of rail services – which, given the difficulties of last year is likely to explore some radical alternatives to the current system. The Transport Secretary has said there should be greater integration between the railway itself and the train operators. Additionally there is political pressure from the Opposition to renationalise network by not renewing franchise contracts when they expire.

Open access operation - where smaller train operators run services in direct competition with main franchise holders - is getting the sector talking. The rail regulator has recently changed its access policy which it hopes will increase the likelihood that new operators will be granted access rights. Meanwhile, it's possible new companies will be deterred from entering the market because of increased contributions to the cost of running the railway through the infrastructure cost charge.

Roads: shifting gear

On roads, new technology continues to change the way people choose to make journeys almost daily. For those looking to enter the market, whether with autonomous vehicles or innovative apps, there is fertile ground to be taken advantage of. Additionally, there are questions about whether existing fiscal and regulatory structures provide a level playing field for new entrants and more established automotive industries in terms of tax and data sharing. However, the backlash faced by some disrupters – be it over workers' rights or bikes being left all over pavements - shows the huge importance of talking to policy makers at an early stage to build understanding and trust.

Buses: hold tight, please

Across the UK, we will see the new powers available to metro-mayors develop, who will play a greater role. For example, mayors now have much greater powers over the commissioning of local bus services. In 2019 already, we have seen the West Yorkshire Combined Authority announce a new quality partnership with operators in the region, and Manchester's Mayor, Andy Burnham, has indicated he is to take control of the region's bus network after 35 years of privatised services – a firm signal towards bringing in a new system of franchising. We will see plenty more of this from other combined authorities in 2019.

End of the line?

Brexit, general elections and referenda are all potential fixtures in the political calendar. With a Labour Party committed to tackling climate change and a major overhaul of the rail network, such an outcome could present some risks, as well as offer significant opportunities for several sectors.

Chris Grayling's political fortunes are tied closely to Theresa May's, having first supported her for PM and kept loyal throughout the chaos of the recent Brexit negotiations. Plainly if she goes, so will he (at least from the DfT). But a fresh face as Secretary of State could breathe fresh life into the Department in a similar way to the effect of Michael Gove at DEFRA.

Overall, we'll see some significant changes across transport in 2019. The risks of a no deal Brexit are stark especially in regard to cross-border movements by land, sea and air. The opportunities of the constantly changing transport landscape are almost equally as profuse. Sit back, stow away your tray table, and prepare for take-off...

IN SPECIAL MEASURES?: EDUCATION POLICY IN 2019

The education sector as a whole has seen significant reforms in recent years, many of which are still being embedded. Despite this, additional changes are on the cards for 2019 that will require careful navigation by businesses and investors in the sector.

Early years and children's services

The early years sector had a tumultuous 2018. Providers are still adjusting to the implementation of the 30 hours 'free' childcare and Tax-Free Childcare schemes – which have suffered significant teething problems despite government assurances the policies are working – as well as higher staff wages and overheads impacting nurseries' ability to operate sustainably.

Similarly, the funding challenges facing children's services, particularly in special educational needs and disabilities (SEND), reached a critical point in 2018, with Labour declaring they were in 'crisis'.

Although statutory services have largely been protected, many local authorities have struggled to keep pace with rising service demand given ongoing funding constraints. Scrutiny of SEND funding and provision has never been higher, with parents now regularly holding their local authorities to account through legal appeals and tribunals.

Scrutiny and campaigning will continue in 2019 and are likely to intensify in the run up to the Spending Review, particularly given the influential Treasury Committee's previous criticism of funding for the 30 hours childcare policy and the Education Committee's ongoing SEND inquiry. This is also a clear area of interest for Labour and offers them an easy means of challenging the government.

Education Secretary Damian Hinds has made clear his commitment to improving SEND and children's services – the sector will need to be proactive in 2019 to persuade him to prove this by ensuring funding matches the government's ambitions.

Schools

During 2018 Hinds kept a relatively low profile, limiting major school announcements to reforming newly qualified teacher status, bringing more clarity to the relationship between Ofsted and regional schools commissioners, and highlighting the value of technical education. However, challenges for the sector remain unaddressed.

Funding, recruitment and retention, and high teacher workloads continue to be the main culprits. The DfE has given careful thought to tackling this, very recently publishing a long-awaited recruitment and retention strategy which includes plans to reduce workloads and provide better career progression options for teachers.

Other challenges are still being considered. For example, the rise in exclusions and illegal off-rolling of 'challenging' pupils have seen increasing media interest, and former Children's Minister Edward Timpson is due to conclude a high profile review on this area shortly.

Meanwhile, schools are under considerable financial pressure. The additional £1.3 billion announced in the Autumn Budget was insufficient to prevent headteachers marching on Downing Street, and the impending Spending Review means this will continue to grab headlines.

Apprenticeships and skills

With Brexit looming, tackling the UK's productivity gap and ensuring businesses have access to a skilled workforce will become an important issue for government in 2019. Rumours are already circulating that the introduction of new T-levels will be delayed as the government diverts resource to preparing for a no-deal Brexit. In addition, the apprenticeship levy has yet to drive the hoped for increase in apprenticeships, and funding reviews have added to uncertainty for businesses and providers alike.

The government's review of the operation of the levy post-2020 will seek to address some of these concerns and act as a means of appeasing businesses who still view the levy as an unfair tax. However, it is the voice of providers that needs to be listened to, given they are on the frontline of delivering a policy that has the potential for high profile backlash on the government. Despite poor apprenticeship start numbers since the levy's introduction, the government is still committed to its 2020 target of three million starts.

This is undoubtedly an issue that former Apprenticeships Minister and Education Select Committee Chair Robert Halfon will not hesitate to hold the government to account on. Pressure will be on to make sure the target is met, while still maintaining quality, and to ensure businesses can access the skilled workforce they need.

Higher Education (HE)

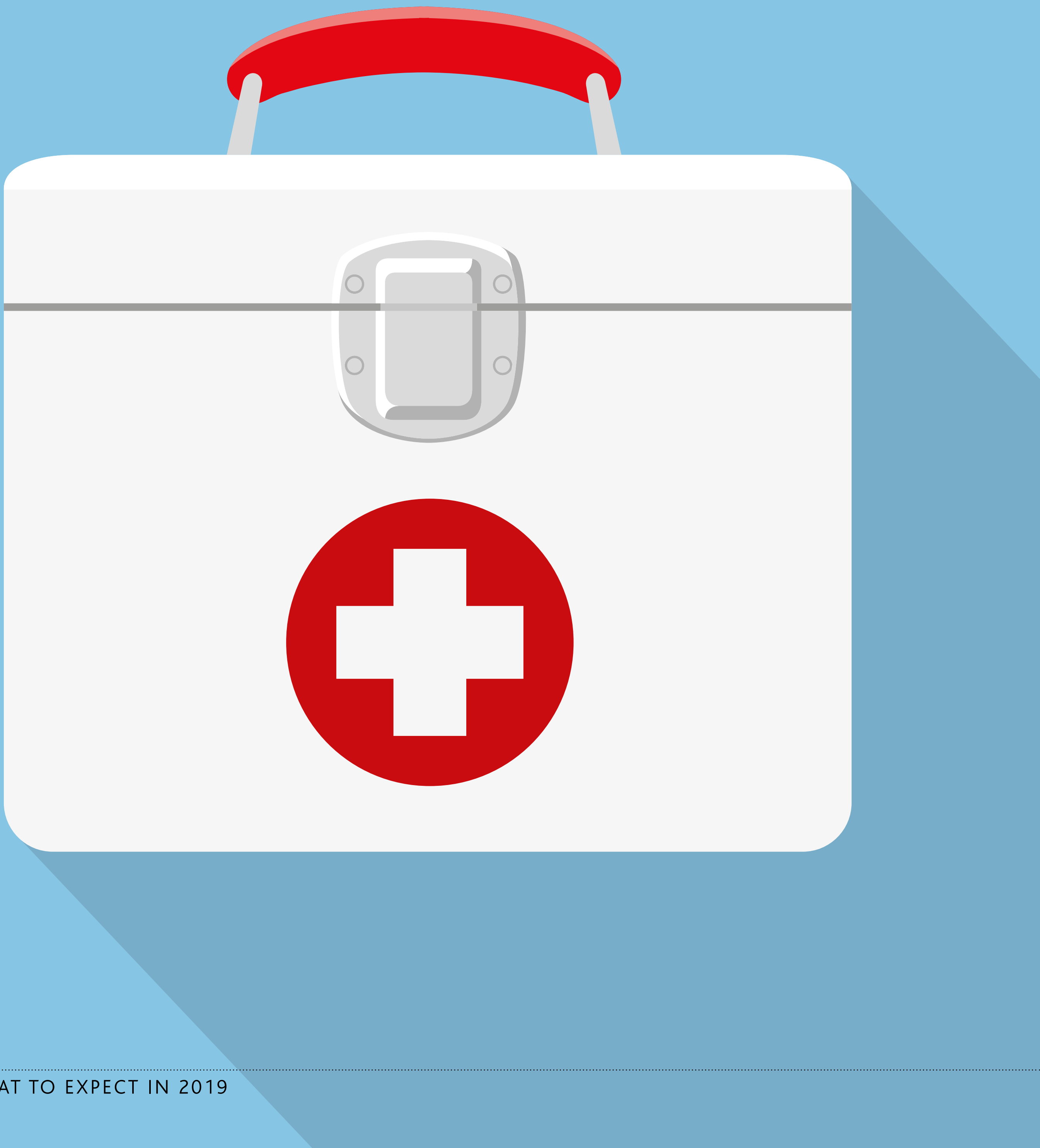
Attention will be firmly focused on the HE sector over the next couple of months, with the expected publication of the Augar Review of post-18 education and funding due imminently. Early reports have suggested the review could make recommendations for substantial reform, including a reduction in tuition fees and by preventing applicants who have failed to achieve three Ds at A-level from qualifying for a student loan, with loans offered instead for vocational courses in further education colleges.

The sector has already voiced concerns that these proposals will lead to a cap on student numbers and unfairly impact mature students who may wish to return to education.

At a time when the sector is still getting to grips with the reforms introduced by the Higher Education and Research Act 2017, the Augar Review and the government's response to it will potentially create even further turbulence for providers to weather.

HEALTH AND SOCIAL CARE IN 2019: REALITY BITES

FRESH FROM THE TRIUMPH OF LAST SUMMER'S ABOVE-EXPECTED 70TH BIRTHDAY PRESENT FOR THE NHS, SIMON STEVENS AND HIS TOP TEAM SPENT THE LATTER HALF OF 2018 ATTEMPTING TO SET TEN YEARS' DIRECTION IN LITTLE MORE THAN TEN WEEKS. WHILE POLITICAL WRANGLING OVER BREXIT DELAYED IT INTO 2019, THE POSITIVE HEADLINES GENERATED AT THE START OF THE YEAR JUSTIFIED THE WAIT.



2019 priorities in health policy will build on the watchwords of 2018: integration, prevention and efficiency – set against the backdrop of increasing strain on the system, difficult local decisions, and major worries about workforce numbers.

Integration across the nation

As integration makes a decisive move from policy on the page to structures on the ground, the steady unpicking of the Lansley reforms continues. The wish list of legislative change outlined in the Long Term Plan is unlikely to see parliamentary time, but NHS England and NHS Improvement's unification should lead to more cohesion from the centre. Driving this is the reestablishment of regional health directors, who NHS England/Improvement stress will be the 'locus' of local decision making, and a useful focus for system change on a larger geographical area.

Meanwhile, local integration continues apace. Integrated Care Systems (ICSs) will be established in every part of the country by April 2021, with one clinical commissioning group (CCG) covering each ICS area. That could be quite a shift in commissioning structures (again) – local reorganisation fatigue may grow but there is a willingness to make it work. Eyes will be focused on Coventry and Warwickshire's Sustainability and Transformation Partnership, where long-time Kings Fund chief and integration evangelist Chris Ham is stepping in as Chair.

Prevention or efficiency?

As seen in the Long Term Plan, we expect Health Secretary Matt Hancock to continue following his passion for prevention in 2019. He has used the term to successfully capture many hot health topics, from tech to social prescribing. But while his warm words have been largely welcomed, concerns remain over lack of investment to make the transformative shift required. The prevention green paper, due in the first quarter of the year, is unlikely to come with an accompanying prevention windfall. In fact, public health budgets have seen consistent cuts over the past few years, limiting local areas' ability to invest in early intervention.

Cynics may continue to see prevention as a way of driving efficiencies, including lowering spending on medicines. For industry, the squeeze on drug spend will be seen both through pressure on commissioners to consider non-treatment options for chronic conditions and by NHS England's continued focus on medicines optimisation. How the system will respond to the growing number of personalised and transformative treatments coming down the pipeline is unclear, but policy brains in NHS England continue to try to square that circle.

More questions than answers

And then there's Brexit. Concerns over access to life-saving drugs in a no-deal Brexit understandably featured heavily in 'Project Fear' projections, and industry has had to proactively (and expensively) prepare to try and avoid gaps in supply. Certainly, this process has done little to improve relations between industry and government, and there will be a close eye kept on whether this critical sector starts to act with its feet over the coming year.

The social care green paper will continue its long path to publication – in March it will be a full two years since it was first announced. But time has made it weaker not stronger, and there's little hope that any of the major issues facing the sector will be resolved – or even progressed – by its content. There are growing fears over the sustainability of even the most critical elements of social care provision in parts of the country. But there remains little consensus among the sector's key players as to how best to fund any new model – meaning little political cover for any minister brave enough to seriously take the issue on.

With macro-political uncertainty likely to continue throughout 2019, health watchers are also keeping a close eye on Labour policy. Jon Ashworth has established himself as a frequent and, at times, effective critic of Conservative health policy, focusing on campaign-ready issues like growing waiting times and service closures. However, we are yet to see a coherent plan for the NHS that acknowledges the challenging reality of this highly complex, pressurised system. While Labour in opposition has largely chosen to shy away from tough choices, 2019 may well be the year they have to confront them.

With no celebratory anniversary for the NHS, 2019 certainly won't be a party. But new power-players and a system in flux always leads to opportunities for those with the vision to seize them.

BANKING ON CHANGE OR MORE OF THE SAME?: FINANCIAL SERVICES IN 2019

Irrespective of shifts in regulation and global events like Brexit, such is the pace of change in financial services technology that the industry will continue to grapple with large scale transformation in 2019. Drivers like the explosive growth in data analytics and AI combine with changes in the way people want to use financial services to drive the reformation of the industry.

The inherent risks from the UK's withdrawal from the EU, and the potential for a reforming Corbyn government will create an important and potentially challenging backdrop to businesses operating in the sector over the course of 2019.

Blue passporting
The government has neglected services in its Brexit Withdrawal Agreement, meaning finance's concerns have been somewhat lost in the debate. Where once the Brexiteers had assured the sector that financial passporting into the EU could remain, the talk now is of "equivalence" - i.e. reduced access. EU cities will continue to pitch for UK services to relocate to the continent in 2019, offering support and incentives to do so. Early signs indicate this is working, with companies setting up or beefing out European offices, and some jobs relocating. Brexit will continue to set the macroeconomic scene with investment in key industries such as the automobile sector stalling as uncertainty remains. The sector will be keen to see whether investment increases following any agreed withdrawal deal, or if the Brexit process has caused a structural shift in UK investment.

Red scare
The Labour Party's approach to financial services is likely to stay largely consistent in 2019. John McDonnell will continue his 'tea offensive' on the city, attempting to reassure businesses that Labour isn't a threat. He argues the Conservatives' Brexit policies and underinvestment cause greater damage. However, financial services will continue to be concerned that Labour would "intervene to prevent hostile takeovers" through a broadened public interest test, scrap PFI and nationalise existing contracts, and reform taxation to treat carried interest as income rather than capital gains.

Consumer is king
There is focus on consumer rights in financial services from campaigners and regulators. The Competition and Markets Authority (CMA) has signalled its support for Citizens Advice's super complaint about the 'loyalty tax' consumers pay for staying with the same providers. The Financial Conduct Authority (FCA) is currently considering whether it should act against overdraft fees or extend the cap on payday loan payments to other products like credit cards. The FCA has particular concerns about 'vulnerable consumers' – for example how financial services interact with those with mental health issues or those on low incomes. Government too is interested in protecting the vulnerable and is considering introducing debt 'holidays' during which creditors would not be able to contact debtors to give people time and space to address their finances.

Retail
In banking we will see the continued roll out of Open Banking. This will create space for new products and services that could help both customers and small to medium-sized businesses get better deals, as comparing and switching products becomes easier. The winners will be the banks operating the largest marketplaces, but smaller providers may benefit from increased visibility and the ease of providing services. Open Banking's success or failure will be watched closely as this is an area where financial services is leading the charge, with similar reforms being prepared to encourage switching in other regulated sectors, such as Ofgem's MiData project in the energy sector.

The digitalisation of services will also intensify. Major challengers like Monzo now lead the way as Britain's best-rated lender. However, it's swings and roundabouts. Political concern is mounting over digital providers' lack of presence on the high street given the closures of bank branches across the country. High street banks will need to continue to up their offer if they are to keep up with new digital banks and with consumers' changing demands. But high street banks have their own issues, namely their aging IT systems and issues updating them. The Treasury Committee's inquiry into IT failures in the sector is expected to report early this year, so those experiencing high profile outages such as TSB may have to take measures to further protect or compensate customers.

Recession
Finally, the sector will be watching the economy closely for any signs of a recession. We are overdue for a downturn given historic cycles and some of the economic indicators look bad: UK growth remains amongst the slowest in the OECD, consumer spending is reducing across the board, and interest rates are rising. If a recession does come, there are fears the Bank of England will be less willing and able to intervene than in 2008. The Bank of England's base rate is historically low and political opposition to quantitative easing has grown.

BIG TECH IN THE SPOTLIGHT

Society is increasingly technology-driven, with greater access to faster and cheaper data we can watch, listen, shop, learn and participate in the digital world more easily, and more often, than ever. But these changes bring trade-offs in terms of privacy, data security and (many now argue) the safety and security of children and the most vulnerable people in our society. Politicians and policy makers are increasingly switched on to these trade-offs and 2019 will see further political scrutiny in this sector.

Safety and responsibility

The debate around the responsibility of big technology platforms for the content they carry has burst into life again following media reports surrounding the tragic suicide of a young girl who had accessed images of self-harm on Instagram. Safeguarding what content children can access on these platforms is increasingly difficult for parents and similar questions also remain around pornographic and even terrorist related content on these platforms.

Government efforts to address these issues began with an Internet Safety Strategy Green Paper last year which is now being evolved into a White Paper. Central to these plans is a new code of practice, possibly backed by legislation, as well as a levy on social media platforms to fund educational initiatives and potentially a new social media regulator. Every fresh media storm over the availability of inappropriate content and its impact on vulnerable people will only drive the government to take a harder, more prescriptive approach.

Big players in the sector are beginning to shift their positions in anticipation of this. Former Deputy Prime Minister Nick Clegg, now Vice-President of Global Affairs at Facebook, has acknowledged that some form of regulation is required. The precise scope and extent of this regulation in the UK is likely to be shaped during the course of 2019.

Fake news

Looking across Westminster, one MP who has put tech giants in his sights is Damian Collins, Chair of the Digital, Culture, Media and Sport Select Committee. Last year, he led a Grand Committee on fake news with a membership drawn from nine other national parliaments, and effectively empty-chaired the Facebook CEO Mark Zuckerburg. The Committee's multi-year inquiry into fake news is drawing to an end, and the subsequent report could yield some important recommendations.

These recommendations are likely to focus on disinformation's impact on democracy and the public's ability to access impartial and accurate news. Specifically, there is likely to be calls for companies such as Facebook to adopt much greater transparency around the sources of advertising that takes place on their platform.

Tax and competition

Longstanding questions over tax and competition in the technology sector are also now beginning to attract reaction from government. At last year's Autumn Budget, Chancellor Philip Hammond proposed introducing a digital services tax, aimed at levelling the playing field by levying a two per cent tax on UK sales generated by "tech giants." Hammond has also established a Digital Competition Expert Panel to conduct an independent review of the state of competition in the digital economy. The Panel is expected to report to government early in 2019 with recommendations ranging from competition in the digital market, risks around data protection, and the implications of artificial intelligence and machine learning on competition.

The transnational aspect of data and content means governments across the world will need to cooperate internationally to secure any chance of success. Whilst the Digital Competition Expert Panel seeks to learn from lessons around the world, Britain's decision to turn its back on the EU is likely to have implications on our ability to partner with European governments.

Brexit

Businesses in this sector opposed Brexit for a number of reasons. Under May's vision for Brexit, the UK will also leave the EU's Digital Single Market (DSM), the policy supporting harmonisation across broadcasting, creative content production, copyright and e-commerce. Large technology companies tend to favour the certainty that such an approach provides, but the UK government has identified digital technology as an area of potential competitive advantage. There will be a significant opportunity for the technology industry to influence the UK's policy approach to attracting investment and driving growth in these sectors post-Brexit.

Labour

The Opposition has been relatively quiet on many key issues concerning the digital and tech industries, and their 2017 manifesto was noticeably tech-lite. Shadow Culture Secretary, Tom Watson, has held a long-standing interest in the policy area, formerly serving on the Culture, Media and Sport Committee between 2009-12 but is now largely distracted by his role as Deputy Leader. Whilst they hold few clear policy positions, a Labour government would continue, probably be even more determined, to be seen to hold tech giants to account on tax and competition issues. The Digital Services Tax is likely to look quite tame compared to what a Jeremy Corbyn led Labour administration might seek to implement.

Conclusion

Policy makers in the past have often shied away from prescriptive regulation of the technology and digital space due to the complex, technical and fast-moving nature of the sector. But that now seems to be changing. 2019 could be the year when technology is no longer seen as too hard to handle from a policy making perspective, with far greater regulation and scrutiny the likely consequence.

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