

Making things happen

Party Manifestos

The main three parties in England & Wales have all now published their manifestos.

The Conservatives remain comfortably ahead in the opinion polls with an average lead of 14 points over Labour. That said, after an uncomfortable four days of negative coverage of their social care plans, the PM was in the midst of a U-turn re. the capping of social care costs contributions, when the General Election campaign was suspended in response to the Manchester bombing.



At a glance – manifesto headlines

Below is a summary of the main media talking points from the Tory, Labour & Lib Dem manifestos; along with a more detailed look at the political context and at the policies most likely to affect you and your business.

| CONSERVATIVE | LABOUR | LIBERAL DEMOCRAT |
|---|--|---|
| Reduce net migration to below 100,000 p.a. | Nationalise: Railways; Royal Mail; Water companies | Second referendum on a Brexit deal |
| Social care: elderly homeowners in receipt of home care, will be expected to pay for it, except for £100K of assets. Recipients total contribution will be capped at an amount to be determined. | Cap contributions to care costs & raise threshold below which people can access state support | Cap contributions at £72K |
| Scrap: pension triple lock by 2020 | Income tax: increase to 45p for those earning above £80k / 50p above £123k | Increase income tax by 1 penny in the £ to pay for increased NHS & social care funding |
| Scrap: freeze of income tax/NI & VAT | Introduce: "Fat cat tax" on executive pay | Reverse cuts to capital gains tax & inheritance tax threshold |
| Personal income tax allowance rising to £12,500 (basic) / £50k (higher) by 2020 | Increase corporation tax – raising £19.4 bn | End marriage tax allowance |
| Introduce: means-testing of winter fuel payment | Scrap: university tuition fees | Maintain: triple lock for duration of next parliament |
| Introduce: cap on energy bills | Cap: average home energy bill at £1000 pa | Increase: free childcare hours for parents of two-year olds |

Overall Economic Context

In some ways both Conservative and Labour manifestos have a strong whiff of nostalgia.

The Tory's – strongly marketed as Mrs May's personal agenda – sees a lurch away from a Thatcherite, free market offering, toward an interventionist approach that Ted Heath would have recognised: employees in boardrooms; deterrents on hiring foreign workers; caps on energy bills.

Meanwhile, Labour's plans to tax, spend and nationalise, might make even Michael Foot blush.

The drive toward deficit reduction that has dominated Treasury thinking since 2010 appears to have been quietly abandoned by the Conservatives. Back then the budget deficit was 10% of GDP, it's now 3% and Chancellor Philip Hammond takes a more pragmatic approach to its reduction than did his predecessor.

While none of the parties are focussing on the deficit, it would be wrong to imagine that the next government has much room to embark on a spending spree (unless you are John McDonnell). The UK economic outlook is far from rosy. Many government departments are still operating to budgets that will deliver 40% cuts by 2020.

So, while continued economic growth remains imperative, some form of tax rises in the next parliament are a given.

Taxes

The Institute for Fiscal Studies notes that in the year immediately following each of the past six general elections, the incoming government has increased taxes.

Of the three main English parties contesting this election, the Tories are promising lower taxes than the other two. Labour are unashamedly presenting the electorate with a high tax / high spend offer, while the Lib Dems fall somewhere in the middle. None of the three are promising a tax freeze.

In the realm of personal taxation, a likely target for all parties is an increase in NIC for those earning above £150K.

Labour has explicitly said it will increase corporation tax – to the tune of £19.4 billion. It plans to target companies' "fat cat" executives by introducing a 2.5% levy (paid for by the companies) on staff earning above £330k, rising to 5% above £500k.

Labour also aims to raise £1.6bn from taxing residential property owned by offshore trusts.

Reality Check – Industry Capacity

The proverbial elephant in the room, not directly addressed by any of the manifestos but which has an enormous impact on UK housebuilding is this: the UK construction industry has serious capacity issues.

It has a severe skills shortage, an ageing workforce and is very heavily dependent on EU workers. As a result, labour costs are very high. Brexit will exacerbate these problems and the type of overly strict immigration targets – advocated by the Conservatives – will make a bad situation far worse.

Britain needs to be attracting many more young people into all sectors of the construction industry. Currently, it is not seen as a top career choice by young people or their families. Plus, training takes time. We will need EU builders working on UK sites for the foreseeable future. Unless this is acknowledged by the next government and reflected in future immigration policy, ambitious housing targets will remain nothing but that: numbers on paper.

Housing

All three parties are promising to build more houses. All three parties plan to crack down on the abuse of leasehold and ground rent agreements.

Conservatives:

- In addition to their existing pledge to deliver 1 million new homes by 2020, the Tories are adding another 500,000 homes to the package, with an emphasis on upping build quality.
- 160,000 of these new homes are to be built on government owned land.
- Protection of the Green Belt is re-stated.
- A proportion of new homes will be for social rent. They will not be eligible for sale within than 10-15 years and then only on condition that the receipts are recycled into housing re-provision.
- No mention is made of extending the Help to Buy scheme which is due to expire in 2021.

Labour:

- Will deliver 1 million new homes by 2022, 50% of which will be for social rent.
- Proposes suspending Right To Buy.
- Guarantees Help to Buy funding until 2027.
- Bans letting agency fees for tenants.
- Promises to make 4000 extra homes available for rough sleepers.

The Lib Dems:

- Promise to build 300,000 new homes by the end of the next parliament, tenure to be determined.
- Will make £5bn of capital available for a new Housing & Infrastructure Development Bank.
- Will create 10 new garden cities in England.
- Will enable councils to levy 200% council tax on second homes and on "buy to leave" overseas investor owned properties.
- Will penalise builders who land-bank after receiving planning consent.

