



UK IN A
CHANGING
EUROPE

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**POLICY LANDSCAPE
2025**

FOREWORD

At a time when the country is facing profound policy challenges, the Resolution Foundation and UK in a Changing Europe have assembled a group of respected experts to consider the state of the policy landscape. Each contributor was asked to consider what the current state of affairs is, what kind of political debate, if any, characterises their policy area, and what the major challenges confronting the government are likely to be.

Each article in this collection is the responsibility of its author. UK in a Changing Europe and Resolution Foundation would like to thank all the authors for agreeing to write and for dealing promptly with our repeated queries and suggestions. Special thanks to Jill Rutter, Jonathan Portes and James Smith for their help in responding to early drafts and particular gratitude to Joël Reland for his tireless work in commenting on, editing and organising the collection as a whole.

We hope you find what follows interesting and informative.

1 September 2025

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INTRODUCTION

Ruth Curtice and Anand Menon

It hardly needs saying that the UK is confronting a number of acute policy challenges. It is frequently difficult, however, to differentiate between analysis and hyperbole, to make sense of all the talk of ‘broken Britain’ and critiques of such miserabilist analyses. So what are the challenges we face? To what extent is there political consensus over what they are, and what are the various parties proposing to do about them?

These are complex questions. That is why the Resolution Foundation and UK in a Changing Europe have partnered to produce a series of evidence-led, research-based assessments of the key issues that politicians will confront as parliament returns from its summer recess.

We have brought together a group of leading experts from respected institutions including the Health Foundation, the Institute for Fiscal Studies, and our own organisations. We asked them to consider the challenges the country faces in their area of expertise, the immediate and longer-term issues politicians will need to address, and the potential implications of any choices they might make.

We selected the issues based initially on the IPSOS [issues index](#), though we have added some that did not figure amongst the public’s priorities in July of this year (UKICE could hardly partner in producing a report that does not mention Brexit, after all).

The collection reveals that one major policy challenge dominates them all. Growth is not only the overriding priority of the government but arguably the most important challenge the country faces – not to mention the key to unlocking many of the other difficult decisions sitting in government in-trays.

And the picture is not a rosy one. We have seen poor performance when it comes to growth since the financial crisis. In the 15 years prior to 2008, GDP per capita increased by 40%. It is now about 5% higher than in 2008. The problem is not necessarily that government is doing the wrong things. It has to date adopted sensible supply side responses, including planning reform, industrial strategy, trade deals and increased infrastructure spending. Rather, the issue is how much growth such measures might be expected to generate, and how quickly.

Delivery and detail matter too though. For example, the government has steered clear of the most ambitious planning reforms. It has failed to provide a watertight definition of the ‘grey belt’ and ensured continued dependence on local

authorities in order to achieve its housebuilding ambitions. The fact that planning applications in the first quarter of this year were the lowest of any first quarter since 2015 speaks volumes.

Economic growth can sound abstract, but this collection shows the effect weak growth is having across the areas top of the public's mind – from the cost of living to the NHS.

Concerns about cost of living remain high and we have seen particular price rises amongst the cost of essentials that can be hardest for lower income families to absorb. But widespread improvements in the cost of living will ultimately hinge on the ability to secure the kind of growth that will make incomes grow faster than inflation. Recent signs of a weakening labour market pose immediate concerns for those looking for work; and in the medium term will make raising the employment rate, as the government wants to do and which boosted living standards in the 2010s, harder.

Higher growth, it is hoped, may also ease the government's fiscal challenges and free up funding for other priorities. Here we need to be wary of assuming a free lunch – especially with so many mouths to feed at the table. Indeed, this autumn it is expected that the Office for Budget Responsibility may go the other way and lower their medium-term forecasts for growth. Making the books add up could then require the Chancellor to put up taxes, which are already set to reach their highest ever proportion of national income in 2027-8. Raising taxes can damage economic growth, but there is also no shortage of options for tax reform that would support growth and improve fairness.

When it comes to health, while the 10-year plan is in itself a sensible document, there are legitimate reasons to wonder whether it will be effectively implemented. After all, prevention, community-based care and digital transformation have been themes of health policy for at least 20 years. And the fiscal bind looms large: the last time ambitious reforms on this scale were mooted, funding was increased by 6.8% a year in real terms. The equivalent figure today is 2.8% a year in real terms.

Similarly, key decisions in areas like SEND provision in schools will have significant budgetary implications, while the ability of the UK to sustain a major international role will depend on our ability to fund our ambitions. At a time when child poverty is nearly double the rate for pensioners, the government's commitment to reducing it is unlikely to be achieved if the forthcoming strategy comes without additional funding.

Then there are the trade-offs inherent to governing. The government has already belied the supposed priority accorded to growth by refusing to countenance the kind of rapprochement with the European Union that would have a marked impact

on the economy. Equally, reducing migration still further will require difficult decisions on issues like staffing social care or the economic consequences of reducing foreign student numbers. Indeed, when it comes to immigration, the government finds itself in a bind. Public concern has increased – with 40% of respondents to the IPSOS issues index poll in July citing immigration as their top concern. Thus, government risks sacrificing progress on its own priority in order to address the priority of the public.

And public opinion forms a less than propitious backdrop to this policy environment. Public satisfaction with the NHS is at its lowest level since 1983. The rise in visible lawbreaking such as shoplifting has helped account for heightened public anxiety about crime, despite long-term declines in crime rates (which have halved since 1997). While the Gauke and Leveson reviews suggest sensible reforms to the criminal justice system that can be carried out, the government needs quick improvements, not least to fulfil its ‘taking back our streets’ mission.

More broadly, government has to operate in a time of low trust in politics, itself a consequence of the long-term economic underperformance with which we began this analysis. At the same time, reforms to local government might reduce the number of councillors in areas affected by structural reforms by 90%, with inevitable implications for accountability. And councils themselves are increasingly stretched by higher demands for high-cost services such as social care and SEND provision. It is hardly calculated to enhance faith in politics or the political process.

Added to which, we are witnessing cratering support for the two erstwhile major parties. Labour and the Conservatives won just 59% of votes cast in 2024 – their lowest combined share for over a century. 2024 witnessed the second-lowest turnout under universal franchise, meaning Labour won a massive majority on the back of support from only one-in-five voters. And the fact that the party is losing votes to both left and right means its MPs face different political challenges. Tax increases and spending cuts will irritate different parts of its coalition. It will not be easy to formulate a strategy which will get buy-in from the whole parliamentary Labour Party.

There is no getting away from the fact that this is a pretty grim picture. Yet an honest assessment of the various challenges we face is a necessary precursor to any attempt to address them effectively. The intention of this collection is to inform and not persuade. We hope that readers will look at it in that spirit. As an attempt to inform them about the facts and to allow them to assess rival political claims.

GROWTH

Jonathan Portes

WHAT IS THE SITUATION NOW?

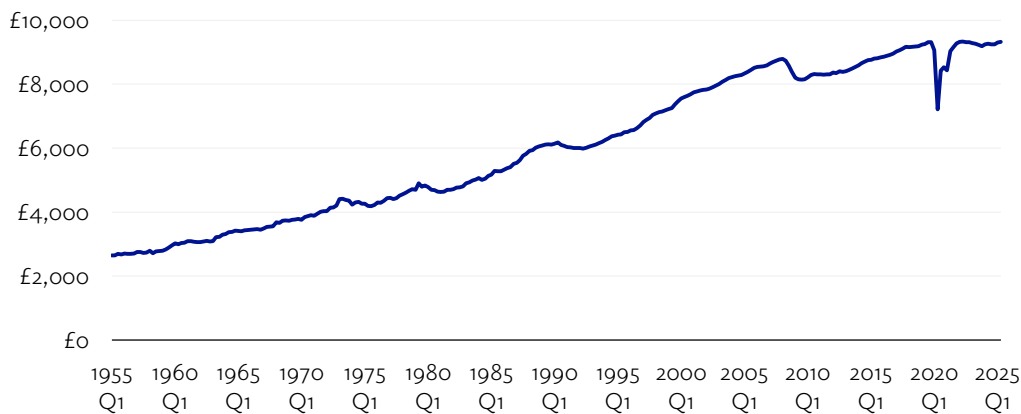
The UK's growth performance since the global financial crisis has been dire. [GDP per capita](#) is about 5% higher than 2008, compared to an increase of 40% in the previous 15 years, reflecting very weak productivity. While other advanced countries have also experienced a productivity slowdown, the UK's has been in relative decline. This is the [key reason](#) why living standards and tax revenues have hit a brick wall.

The UK's GDP growth has been dire since the 2008 financial crisis

UK GDP per capita, CVM market prices, reference year 2022, seasonally adjusted.

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Source: Office for National Statistics, Gross domestic product (average) per head.

There is little sign of this trend shifting in the short term – over the last year, the economy [has expanded](#) by a little under 1%, with a significant slowdown in the second quarter of 2025 and signs that the [labour market is weakening](#). Despite gradual reductions in interest rates, business and consumer confidence remain low, and uncertainty over trade provides another unwanted headwind.

WHAT IS THE STATE OF THE POLITICAL DEBATE?

The slowdown in growth is increasingly recognised as central to the current state of British politics, driving a broader perception that ‘Britain is broken’. It is unsurprising therefore that the Prime Minister has [said](#) repeatedly that growth is the government’s “number one priority”. ‘Kickstart economic growth’ is the first of the government’s [missions](#). Moreover, the government is committed to a specific ‘milestone’ – higher living standards, as measured by real household disposable income per head, in every part of the UK. This target would have been unambitious in the past, but [current projections](#) suggest that it will be difficult to meet.

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

The government's plan to deliver higher growth rests on a set of supply-side, or structural, interventions. These include housing and planning, where it has set an ambitious target of building 1.5m homes over the course of the parliament; infrastructure, where it has promised to speed up approvals of necessary projects like reservoirs; a revamped industrial strategy, focusing on key sectors where the UK has a comparative advantage; artificial intelligence, where it is seeking to make the UK a 'global superpower' through a relatively liberal regulatory environment and various incentives for investment; energy and net zero, where it sees the energy transition as a key opportunity for the UK and a driver of future growth; and trade, where it has concluded deals with the EU, India and the US.

This is an ambitious and comprehensive programme, which addresses a number, although by no means all (see below), of the major gaps and failures in recent UK policy that contributed to the growth slowdown. Many, perhaps most, economists would endorse its broad thrust. However, the challenge will be both the pace and effectiveness of delivery; past attempts to improve the planning system, for example, have foundered on the twin rocks of lack of political will and state capacity.

Moreover, while the government's agenda on these issues is at least clear and coherent, it faces a wider set of constraints and challenges – some self-imposed, others the result of politics, history and external events.

Most pressing is fiscal policy. The government loosened its fiscal rules in its first budget, allowing it to relax fiscal policy and to reverse some of the cuts to public investment planned by the previous government, while also increasing taxes to fund public services, especially the NHS. But with long-term interest rates back at levels last seen before the 2008 crisis, it has little or no further room for manoeuvre; either in the short term, given that there is still a persistent current deficit, or over the medium to long term, given the pressures on public spending driven by an ageing population and other demands like defence and security.

Significant tax rises or spending cuts, particularly given the political constraints on tax reform, are very unlikely to be positive for growth. An example of how these tensions manifest themselves is in labour market policy, where there is some consensus that investing in employment support could, over time, raise labour market participation rates and reduce the numbers on benefits; but the imperative to make the fiscal numbers add up in the short term has resulted in a damaging political backlash.

On trade, while the government's negotiating successes have exceeded expectations so far, dealing with the US administration remains an exercise in damage limitation; while its red lines with respect to the EU single market and customs union mean that gains from the 'reset' are likely to be [relatively small](#), and will only be realised after further rounds of lengthy technical negotiations. More broadly, the UK, as a medium sized and relatively open economy, is extremely vulnerable to the progressive disintegration of the postwar global trade regime. Meanwhile, on immigration, the perceived political imperative to reduce migration has clearly taken precedence over growth; this is likely to result in [significant fiscal costs](#), as well as potentially doing further damage to the already vulnerable university sector, with knock-on effects for the government's wider agenda.

While all the major opposition parties agree on the importance of growth, none have a coherent alternative strategy. The Conservatives – hobbled by their legacy – argue for tax cuts, funded by largely unspecified welfare cuts, but have yet to develop a wider programme. Reform offers much larger tax cuts (and some significant spending increases) with nothing that remotely resembles a credible plan for the very large reductions in public service spending that this would necessitate. The Liberal Democrats, meanwhile, have little to distinguish themselves from the government, apart from an even stronger commitment to net zero. To the left of the government, the Greens (and some within Labour) argue for spending increases, financed in part by a wealth tax. It is very hard to see any of these programmes surviving contact with political or economic realities. The government's strongest card, at least in the short term, is that of Mrs Thatcher in the early 1980s: there is no obvious or convincing alternative on offer.

COST OF LIVING

Mike Brewer

WHAT IS THE SITUATION NOW?

Concern about ‘the cost of living’ has risen sharply. After years of being a non-issue, inflation was Britons’ [number one concern](#) for the 18 months between February 2022 and July 2023. It peaked at 11.1% in October 2022, the highest level since 1982, and prices rose by a cumulative 20% between July 2021 and July 2024. It has since fallen back considerably (still above the Bank of England’s 2% target), but concern remains high. In [May 2025](#) – when CPI inflation was 3.4% – just over a third of respondents put inflation in the top three issues facing the country, tied with immigration, and trailing only healthcare

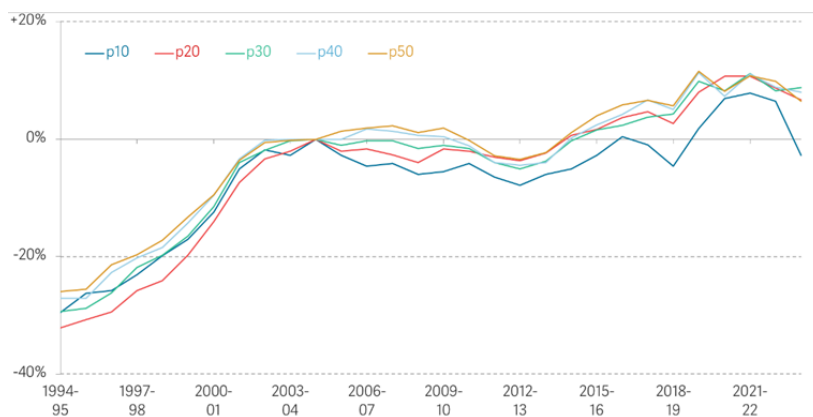
Changes in prices had more impact on low-income households. These have lower resilience in general, and less spending that can be cut back in emergencies. Moreover, inflation was driven by rapid price rises in essentials like food and energy. And income growth before the cost of living crisis had been dreadful: between 2004-05 and 2021-22, incomes at the median of the income distribution excluding pensioner families grew by 11%, and incomes at the bottom (at the 10th percentile) grew by just 8%.

Cost of living pressures have a greater impact on low-income households

Change in real equivalised household disposable income at various points in the income distribution.

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Notes: Excluding pensioner benefit units, after housing costs. GB before 2002-03; UK thereafter.
Source: Resolution Foundation analysis of DWP, Households Below Average Income.

WHAT IS THE STATE OF THE POLITICAL DEBATE?

When politicians mention the cost of living, they mean incomes as well as prices. So policy can focus on both issues. The government could stick to its election priorities, focusing on growth as the long-run route to increasing living standards sustainably. The hope behind this approach is that what really matters to

households is whether their incomes are growing faster than inflation. The main way to ensure this happens is to increase productivity, which in turn will result in higher real (inflation-adjusted) wages.

The downside to such an approach is that pro-growth measures will take time to be seen in pay packets, so another strategy is to focus on prices. Since the Bank of England is charged with keeping inflation close to the 2% target, there is little any government can do to affect the general level of prices. But there are salient costs that the government can influence – utility bills (which are heavily regulated), council tax (where rises can be capped) and road fuels (where taxes make up 56% of the retail price of petrol) – and a new [Living Standards coalition of Labour MPs](#) is also urging action on childcare, food and housing. Of these, action on energy prices may be the most appealing, as they are still a [third higher in real-terms than before the gas crisis](#), whereas the real-terms retail price of petrol is at its lowest level since at least 2003.

The political calculations will require comparing the electoral payoff of spending £5bn (say) on making a dent in energy prices rather than spending the same amount of money on more general interventions to trim costs or boost incomes. This assumes, of course, that the Chancellor has £5bn to spare, [which seems increasingly unlikely](#), so we should also expect the government to talk tough on regulatory measures. For electricity, regulator action on time-of-use pricing, standing charge reform, and rebalancing of policy costs could make small differences, with Ofgem's recent [wide-ranging consultation](#) suggesting that many options remain on the table; for water, it seems likely that government will want a reformed Ofwat to do what it can to slow the growth in water bills.

It seems likely that the cost of living, and how well-off households feel, will be a key electoral battleground, but there are, as yet, few specific policies from other political parties. VAT cuts or income tax cuts would (clearly) help with the cost of living, but it is challenging to show how these wouldn't spook the bond market. Some suggest that moving more slowly on, or abandoning, commitments to reach net zero by 2050 would cut electricity bills. It's true that a [tenth of an electricity bill reflects past subsidies to carbon-free generation](#), but the price of electricity in the UK is [almost always determined by expensive gas-fired plants](#). And all parties are struggling to present a consistent position on how to build more housing, given the internal battles between NIMBYs and YIMBYs.

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

Despite the focus on energy, housing remains the largest cost of all, both for those renting and those paying mortgages, and OECD data shows that, compared to our general price levels, [the UK has the highest quality-adjusted price of housing of any developed economy](#). The policy direction is clear, with the government striving to get more homes built, and committing to build more itself through the £39bn investment on affordable housing over the next ten years, although it's not clear whether these will reduce prices as opposed to slow the rise (with much here also depending on future migration policy). But it has said less about the key policy that makes renting more affordable – Local Housing Allowance – which has been frozen in cash terms since 2024.

But interventions to reduce the cost of certain essentials can only go so far in reducing pressure on low-income families. Even if, for example, household bills were reduced by £300 a year, that would result in someone on a median income having been 1% better off in 2025-26. This extra income growth isn't insignificant in the immediate term, but wouldn't improve living standards over the longer term: it is the difference between having median income grow by 0.3% or 0.6% a year for each of the next three full financial years. Previous Resolution Foundation work has argued that all social security benefits should be uprated with earnings growth over the medium-term – [with about half the costs of this coming from abandoning the triple lock](#) – so that everyone can benefit from shared growth. Ultimately, having the UK economy growing, and sharing that growth widely, is the only long-term way to ensure families can afford the essentials, and more.

TAXATION

Isaac Delestre

WHAT IS THE SITUATION NOW?

Scan the landscape of UK taxation and two features dominate the skyline. The first is that there is much more of it. In 2027-28 taxation as a share of national income will reach almost 38% – the highest level in the nation’s history. By western European standards that will still leave the UK as a relatively low tax jurisdiction, but tax levels are now comfortably above the OECD average.

The second is that much of the tax system is a mess. Political expediency, inertia, and the absence of a long-term strategy have left us with a system that is both inefficient and unfair. Take, for example, the way that we tax income. The UK has not one but two major income taxes (income tax and National Insurance), which apply to different time periods, have different thresholds and parameters, and don’t apply evenly across different forms of income. The result is a needlessly opaque system, which imposes an unjustified penalty on income from employment, drags on growth and makes raising revenue more costly than it needs to be.

WHAT IS THE STATE OF THE POLITICAL DEBATE?

Notwithstanding record taxation, money is tight. Against a backdrop of torpid growth, global uncertainty and elevated interest rates, the Chancellor has left herself little room for manoeuvre against her fiscal rules. In the spring, she was meeting her borrowing rule by a margin of just £10bn. The recent dilution of planned reductions to disability benefits and winter fuel payments, combined with a widely-expected downgrade to the Office for Budget Responsibility’s growth forecast, could be enough to push her into the red.

With cuts to expenditure meeting such stiff political resistance and departmental spending plans for the remainder of the parliament having just been agreed at June’s Spending Review, it is likely that the Chancellor will be forced to turn to taxation if she is to remain within her fiscal rules. In doing so she will face two big challenges. The first is political. Labour’s manifesto ruled out increases in VAT or National Insurance contributions (NICs) as well as increases to the main rates of either income tax or corporation tax – major restrictions to four big taxes that, together, comprise just shy of 75% of all tax revenues.

The second will be economic. The government has spoken of increasing the rate of economic growth as being its ‘[number one mission](#)’. Yet almost any increase in taxation will weigh on growth. Worse, the contortions that could be required to

raise serious revenue while sticking to the government's manifesto commitments, in conjunction with the already parlous state of the tax system itself, make it more likely that taxes will be increased in ways that do unnecessary damage.

Recent calls for a recurring wealth tax fall into this category. In economic terms, taxing the same wealth every year would penalise saving and investment. Principled arguments aside, the valuation of individuals' wealth necessary for such a tax would require a colossal bureaucratic effort, hardly a realistic prospect for quick revenue. More generally, the Chancellor would do well to resist the siren calls of those who believe that the UK can raise unlimited sums from the wealthy without any adverse consequences.

Notwithstanding these challenges, options remain for increasing taxation. For example, while Labour's manifesto commits not to increasing *rates* of income tax, it is silent on the thresholds at which those rates begin to be paid. Those thresholds are already frozen until April 2028 (rather than increasing in line with inflation, as is the default) but the Chancellor could extend that freeze, or even reduce thresholds in cash terms, in order to raise revenues. That would likely raise non-trivial amounts of revenue, but the precise size of the tax increase would depend on the vagaries of inflation rather than the deliberate choices of policymakers – an important downside of such an approach.

There are even opportunities to raise revenue in ways that would leave the tax system looking more sensible. Take council tax. Current rates are regressive with respect to house values (meaning that the most expensive homes are taxed at lower rates than more modest ones). The government could introduce new council tax bands for the most expensive properties – though if the resulting revenue is to flow into the Treasury's coffers it would need to be coupled with a corresponding reduction in local authority grants.

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

Precisely how the Chancellor chooses to navigate the troubled waters of this year's Budget is in some ways less important than the all-too-familiar model of tax policymaking her plight represents. Like Chancellors before her, Rachael Reeves has swiftly found herself living budget-to-budget, scrabbling for last-minute tax increases in order to keep revenue forecasts just the right side of what her fiscal rules require. In the end, however, the question of how the Chancellor is to increase revenue by a few billion in the autumn is far less pressing than how we can improve the design of the tax system that already raises well over £1,000bn.

To give just one example: we currently have a VAT system which leads some of our nation's sharpest legal minds to expend thousands of hours on whether mega marshmallows should be zero rated (in line with mini-marshmallows) or standard rated (like their standard-sized compatriots). A boon for the tax lawyers, but a poor use of the nation's productive resources. Tax simplification could be a major prize.

That's not to say that reform would be painless. Removing costly and distortive VAT exemptions (on food or children's clothing, for example) would raise prices, and do so in a way that hits low income households hardest. The revenue it would raise would be more than sufficient to make sure that lower income households are no worse off *on average*, but some would inevitably lose out. The key point is that sticking to the status quo, on VAT and elsewhere, also brings costs – costs that the current government has shown little interest in confronting.

Our tax system defies all reasonable definitions of fairness while sapping growth by diverting people from more productive activities into more tax-advantaged ones. The quantity of spending that the nation should undertake (and fund through taxation) is ultimately a question of political judgment. But almost nobody would defend many of the bemusing incentives that the current tax system creates. We need tax reform, and we need it soon.

POVERTY AND SOCIAL SECURITY

Kitty Stewart

WHAT IS THE SITUATION NOW?

Around [one-in-five](#) of the UK population live below the standard [poverty line](#). This has changed very little over the last two decades. However, it disguises considerable movement below the surface.

First, significant shifts in the demographic profile of poverty. For many years, pensioners faced the highest poverty risk, but pensioner poverty fell rapidly in the 1990s and early 2000s. Today, the child poverty rate is nearly double that for pensioners ([31% vs 16%](#)), and pensioners have lower risk than working-age adults (19%).

Family size is also an increasingly important poverty predictor. Child poverty rose by four percentage points across the decade from 2012/13, entirely driven by rising risk in larger families (3+ children): poverty [rose](#) from 33% to 44% for children in these households, while falling in smaller families.

Second, while poverty remains much lower in working households, in-work poverty is widespread. Nearly three-quarters ([72%](#)) of children living in poverty today have at least one parent in work, up from just over half two decades ago. Even among children with two parents working full-time, the poverty rate has roughly doubled over this period to [8%](#).

Finally, poverty has become more severe in nature. In 2020, the UK started collecting [data](#) on food insecurity. This shows that in 2023/24, 11% of individuals (18% of children) lived in a household classified as food insecure, and 4% of individuals (8% of children) in a household that had used a foodbank in the previous 12 months. These numbers have risen since data collection started.

The driver of these changes is successive reforms to the social security system, which have meant support available is often inadequate. Working-age, means-tested benefits have not kept up with inflation or wage growth for many years, meaning their value has [lagged](#) steadily further behind average living standards. In contrast, the 'triple lock' has protected the state pension, increasing it by more than either earnings or prices. The two-child limit and benefit cap further reduce entitlement, deliberately providing less support than a household needs in order to try to incentivise people to behave differently. They have significantly [increased poverty and hardship](#), while having negligible effects on behaviour.

Those affected by the two-child limit include not only out-of-work families but also low-paid families with children.

High housing costs are also an important part of the story. A freeze on Local Housing Allowance has meant state support with housing costs has fallen steadily behind rents. In contrast, wages at the bottom have risen. Steady increases in the National Living Wage (NLW) since 2016 mean it is [on track](#) to reach two-thirds of the median hourly wage in October 2025 – in principle wiping out low pay under the standard definition (though not for under 25s or for the self-employed). These gains do not only benefit the poorest; most NLW workers live in [non-poor](#) households.

WHAT IS THE STATE OF THE POLITICAL DEBATE?

Poverty, especially child poverty, has become an important political issue. The Labour government has pledged to get child poverty falling and to publish a comprehensive child poverty strategy later in 2025. They have announced some relevant policies – free breakfast clubs for all and the extension of free school meals to more children. Both will have a positive, but small, impact. Ministers have also indicated that they would like to scrap the two-child limit, but have not committed to doing so. Without this action, child poverty is forecast to rise over the parliament.

The key challenge is limited resources, but a conflicting constraint is created by the politics of inaction. Two recent attempts to cut welfare spending were watered down following strong opposition: the means-testing of Winter Fuel Allowance for pensioners, and proposed reforms to disability benefits. The U-turns have left the government in a tight spot: less money to invest in a child poverty strategy, but clear evidence of what might happen if the strategy fails to include policies that will deliver real change. Meanwhile the controversy around disability benefit reforms is far from resolved, with a new white paper due in the autumn.

Reform UK is meanwhile promising its own extensive [cuts](#) to disability benefits, while pledging to restore the Winter Fuel Allowance and scrap the two-child limit. With the latter, Nigel Farage [said](#) he wanted to make it easier for people to have children. Unlike in a number of [other](#) European countries, fertility concerns have tended to feature very little in UK debates. More common is a narrative about [dependency](#) on state support as a problem or weakness; that families shouldn't be having additional children if they can't afford to meet their needs themselves. This narrative [explicitly](#) underpinned the introduction of the two-child limit, and perhaps contributes to its continued [popularity](#).

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

A number of policy changes would make a difference overnight to the inadequacy of social security support for families who need it. Scrapping the two-child limit and benefit cap are the obvious starting points. Longer-term, the system of annual uprating of benefits for working-age families must ensure adequacy and prevent benefits from falling ever further behind average living standards.

To tackle child poverty, policymakers need to recognise that parental employment is only part of the story and that child benefits are crucial, not least because wages do not adjust to family size, creating in-work poverty for those in low paid occupations. In relation to disability, high and rising levels of economic inactivity, especially since the pandemic, certainly require attention. However, policy must be designed to provide people with the support they need to enter work, rather than as a cost-cutting exercise. For both children and the disabled, an effective strategy is likely to cost more in the short-term – but to reap longer-term savings.

Finally, policy options for housing include placing stricter limits on private sector rent increases or revisiting the adequacy of housing benefit support. But in the longer-term, only significant investment in social housing is likely to deliver mass affordability at a price the state can also afford.

JOBS

Hannah Slaughter and Nye Cominetti

WHAT IS THE SITUATION NOW?

The UK labour market is showing a marked deterioration. Data issues cloud the picture here, however, as [problems](#) with the Office for National Statistics' Labour Force Survey (LFS) mean assessing the labour market is harder than normal. Although LFS data pointed to an [internationally-unusual](#) rise in economic inactivity, it now appears this was [overstated](#) by falling sample sizes. Instead, [tax data](#) suggests the UK had a strong employment recovery after Covid (even after accounting for a growing population), in keeping with most other rich countries. The working-age employment rate has been trending down ever since then, falling from a post-Covid high of 76.6% in April 2023 to 75.3% in June [based on HMRC data](#).

In 2023 and 2024 the employment rate was trending down because jobs were growing less quickly than the population, which was being pushed up by higher net inward migration. But since late 2024, the number of jobs has fallen outright ([by 165,000 since October](#)), a rare occurrence outside of recessions. And real wage growth – which was above 2% for most of 2024, after over a decade of [stagnation](#) – is slowing sharply, having halved since December.

The deterioration this year appears to be linked to the decision to increase employers' National Insurance in April. Such increases in 'payroll' taxes tend to [lower wages](#) rather than lead to jobs being cut. But this specific tax increase is likely to have had a bigger impact on jobs, concentrated as it was on low earners, many of whose wages are [protected from wage adjustments](#) by the UK's high minimum wage. It's too early to be definitive, but jobs and vacancy data are consistent with the National Insurance increase having had a negative impact on hiring, in line with the [OBR forecast](#). In particular, the number of jobs in the (low-paying) hospitality sector has fallen [4%](#) since October, and across industries the hiring slowdown has been [sharpest where pay is lowest](#).

WHAT IS THE STATE OF THE POLITICAL DEBATE?

The labour market has not been a point of political contention in recent years. A minimum wage introduced by New Labour in the late 1990s was [increased further](#) by the Conservatives. But this apparent consensus has come to an abrupt end with the government's new [Employment Rights Bill](#). While the Conservatives introduced restrictions on unions, the current government is overturning that. The new legislation contains a number of reforms intended to improve the quality of work. Some of its most important measures are new protections for workers

on variable-hours contracts, compensation when shifts are cancelled at late notice, and making unfair dismissal protection a day one right (this currently only applies after two years).

The government and its supporters say these reforms will have a positive impact on both workers and the [wider economy](#), and will ‘[help solve the UK’s productivity puzzle](#)’. Business and opposition groups claim the opposite: that they will be ‘[deeply damaging](#)’, and a ‘[wrecking ball](#)’ for the economy.

In truth, much is still up for grabs with many policy details being left to secondary legislation. But a look across other countries suggests that the bill’s wider economic impacts aren’t likely to be as large as either the government or its opponents claim. There is, for example, [little relationship](#) between the strength of worker protections and wider economic outcomes like employment and productivity. Moreover, while the government’s reforms are big, many aspects of employment regulation aren’t changing much. For example, statutory sick pay is being extended to all workers (and will be paid from ‘day one’ of a sickness absence), but employers’ sick pay obligations will continue to be [less onerous](#) than those in almost all other rich countries.

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

The reality is that raising worker protections will increase costs for some employers, mainly in those low-paying industries which bore the brunt of the increase in employer National Insurance contributions (higher-paid workers generally aren’t affected by the proposed reforms because their employers already offer entitlements above legal minimums). This, plus falling employment levels, means a short-term challenge facing the government is to implement its reforms while also mitigating potential negative effects on employment.

Another risk is that firms respond to stronger entitlements for employees by [shifting](#) to using more self-employed contractors. The UK’s tax system [already creates](#) an incentive to do so (it’s one reason the ‘solo’ self-employed make up a [bigger share](#) of employment in the UK than most other rich countries); the government’s reforms may strengthen this incentive.

The government has also said it wants to raise the employment rate to 80% - a stretching goal, to say the least. Getting there is likely require targeted support for groups with lower participation rates, given the [headwinds](#) of an older and sicker population. Increasing employment among disabled workers is a current priority and the subject of an [ongoing review](#). Further labour market reforms will come in the autumn when the government publishes its [Pathways to Work](#) white paper. This is likely to include a new unemployment insurance scheme, but

also reforms to benefits for young disabled people who are not in work, adding to recent reforms to health-related benefits that the government hopes will boost employment (although this impact is [likely to be small](#)). The government also plans to spend £2bn more on employment support, but the majority of the increase doesn't kick in until 2029.

Ultimately, the government faces the same challenge as its recent predecessors: ending [17 years of wage stagnation](#), and returning the country to sustained wage growth. This will depend on reviving [productivity growth](#). Part of the solution lies in the labour market, through better training and improving skills, but it also depends on broader economic factors such as public and private sector investment levels.

INDUSTRIAL STRATEGY

David Bailey

WHAT'S THE SITUATION NOW?

The UK has rediscovered industrial strategy (IS). This recognises that the state can partially shape markets through government-business collaboration, setting clear priorities, fixing bottlenecks on things like planning, and using public support to unlock private investment. The argument now isn't whether to 'do' IS, but [how to do it well](#).

Such efforts have previously faltered when governments zig-zag (think of [Boris Johnson dropping IS](#)) or when fiscal squeezes bite. Big tests will come with the autumn budget and later spending reviews; will ministers ring-fence budgets and resist short-term temptations to chop and change priorities?

Above all, the current state of play is shaped by macro constraints, notably the UK's slow productivity growth and limited fiscal 'headroom'. The latter both limits what can be spent on the IS and what is expected of it. The IS is not a growth strategy; rather it identifies eight growth-driving sectors (the 'IS-8'), with detailed [sector plans](#) to support them.

THE STATE OF THE POLITICAL DEBATE?

The new [Industrial Strategy](#) is a compact with business to unlock investment, using public capital to de-risk and crowd-in private money, with fast track planning approvals and sectoral priorities to underpin business confidence. This has widespread support, although parties differ over priorities.

Support for Reform in 'Red Wall' seats has prompted a shift by the party towards more state support for sectors like steel, with a simultaneous desire to roll back net zero targets, [ostensibly to boost jobs in heavy manufacturing](#). The Conservatives have welcomed elements of the strategy but highlight high energy costs as the '[big miss](#)', calling for more deregulation and for net zero targets to be dropped. And Liberal Democrats welcome the IS, but [want more action on reducing energy costs, upskilling workers and supporting small firms](#).

The cross-party focus on [high energy costs](#) comes as little surprise. Here the [British Industrial Competitiveness Scheme](#) aims to bring costs down

more in line with those in the EU. In addition, [Great British Energy](#) (GBE) has been set up as a publicly-owned investor and clean-power operator. Proponents argue it will de-risk early-stage and strategically important projects to [speed up investment](#). The [Green Party, though, criticises](#) the scale of funding as inadequate, carbon capture as unproven, and wants a greater emphasis on more community controlled energy.

More broadly, the [National Wealth Fund](#) (NWF) is the £28bn flagship public investment vehicle, re-branding UK Infrastructure Bank (UKIB) capital with some new money. However, funding levels remain [well below those previously available through the European Investment Bank](#). [Strategic priorities for the NWF](#) aim for every £1 of public capital to unlock £3 from the private sector. A big test will be whether that can be achieved.

Supporters see the NWF as providing financial support to speed up investment where the market is moving too slowly, [while critics worry](#) about picking the wrong sectors or misjudging the private sector's appetite for investment.

The UK's sluggish [planning system is widely seen as a big constraint](#) on investment. As the [Planning and Infrastructure Bill](#) winds through Parliament, debate is shifting to [whether a second bill is needed](#) to limit legal challenges to planning projects and to speed up strategic infrastructure. While environmental groups [warn of over-reach](#), the debate on reform has shifted from 'whether' to 'how far and how fast'?

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

On planning, the system needs faster decision-making for strategically significant infrastructure. The government aims to fast-track 150 major projects and to overhaul the National Planning Policy Framework. Successful delivery will require properly resourced planning authorities, faster decision-making with tightened possibilities for judicial review, and clear spatial priorities tied in with the [new industrial strategy zones](#).

Meanwhile, public finance bodies like the NWF and GBE need to shift at speed from strategy talk to shovel-ready projects. The first wave of strategic priorities, on industrial decarbonisation, carbon capture and storage for hard-to-abate sectors, the battery supply chain, ports and grid reinforcing, all need commercially-credible deals quickly that demonstrate crowding-in.

Energy costs need reducing to re-boot manufacturing competitiveness, but the government's consultation will mean no real action until 2027. In the long-term, decoupling UK electricity prices from wholesale gas prices is key to getting UK energy costs down. In the short term, though, bringing down high energy costs may require [reintroducing bulk supply tariffs](#) for large industrial consumers until we eliminate gas as the marginal fuel.

[Skills shortages in priority sectors](#) are an acute pinch-point. For example, on construction, delivering 1.5m new homes and a national housing retrofit will require tens of thousands of additional workers per year. While new [Technical Excellence Colleges](#) aim to train over 40,000 people by 2029, scaling up apprenticeship pathways and training incentives for SMEs remains key.

Long-term, the big challenge is boosting the UK's [lacklustre productivity growth](#). A risk is that the [‘mission orientated’ approach concentrates](#) on a few clusters while a ‘long tail’ of poorly performing firms continue to lag, reinforcing regional divides. Industrial policy needs to combine frontier R&D with diffusing ‘general purpose technologies’ such as digital and AI for use by everyday firms to boost productivity [across sectors in different regions](#). That requires funding, business support and a [place-based approach](#).

Any industrial policy that ignores demography will inevitably disappoint. Employee retention, life-long reskilling (like Singapore's [SkillsFuture](#) programme) and late-career work design will determine whether tight labour markets choke expansion possibilities.

Despite the recent [UK-EU ‘reset’](#) post-Brexit disruption to trade continues to act as a drag on the economy. [Yet the IS hardly mentions Brexit](#). Nor is there anything about how industries deeply reliant on EU supply chains and markets (like car manufacturing) can thrive outside the EU single market.

Overall, the UK is rebuilding a public investment architecture after years of fragmentation. That requires the capability to invest well. In the long run, governance quality, crowd-in ratios and returns will decide if this set up actually lasts. Clear investment mandates, professional boards and arm's length decision-making will be critical.

Actually having an industrial strategy is welcome, but whether it can boost growth sectors and reduce the UK's wide regional inequalities remains an open question, especially given concerns over the scale of funding support and the lack of ‘place’ in the strategy.

CLIMATE AND NET ZERO

Jill Rutter

WHAT IS THE SITUATION NOW?

Labour was elected with one of its [five missions](#) to ‘Make Britain a clean energy superpower through delivering clean power by 2030 and accelerating to net zero.’ Ed Miliband returned to the department (with a name change, but the same responsibilities) he had headed up before the 2010 election – and moved into action quickly. He recruited the former Chief Executive of the Climate Change Committee, Chris Stark, to head up what he dubbed ‘mission control’ on the clean power objective; moved in week one to speed up planning and remove the de facto ban on development of onshore wind; and within the first month asked the newly established National Energy System Operator (NESO) to produce a pathway to clean power by 2030, five years earlier than the Conservative government had been planning. NESO produced its advice at the end of October and the government set out its action plan in December.

The government also moved quickly to establish its new investment arm, GB Energy, bringing in the former CEO of Siemens, Juergen Maier, to head the Aberdeen-based company. It announced its initial investments earlier this year. Alongside it, the new National Wealth Fund will also invest in building supply chains to make sure that the UK captures the value added from the transition to net zero, something which it was felt was missed with the development of offshore wind.

The big focus of Miliband and his department is on getting the necessary infrastructure in place. After a failed offshore wind auction [under the Conservatives](#) in September 2023, where no contracts were awarded for new developments, Labour increased the strike price and had a [successful auction](#) a year later. It has announced more favourable terms next round, reflecting the increasing costs. Despite the lifting of the ban on onshore wind, there have not been significant new developments taking place, but solar has had a [record year](#) due to more installations and very favourable conditions. The government has also committed considerable sums to the next generation of nuclear at Sizewell C, which was [announced](#) in the run up to the Spending Review. One of the biggest priorities, started under the Conservatives, has been to speed grid connections where the queue meant some projects were waiting 15 years for a connection. NESO is now trying to cull zombie projects which are in the queue but will not be taken up.

The mission focus is very much on the supply side, with the government talking much less about demand. However, Ed Miliband did manage to secure funds for the Warm Homes Plan, and has introduced the [Clean Heat Mechanism](#), designed to reduce the cost of heat pump installations, developed under the Conservatives. The government reinstated the 2030 target for the phase-out of the sale of new petrol and diesel cars (but in a weaker form) and is offering [grants](#) to boost take-up of electric vehicles. Take-up of heat pumps, to replace gas or oil central heating, remains [well below target](#) and the government has still not addressed the fact that ‘policy levies’ fall on electricity, not gas, one of the factors which makes switching economically unattractive for many households.

The most recent progress report by the Climate Change Committee [noted](#) the beneficial impacts of many measures taken by government since the election, but still reckoned that there were credible plans for only 38% of the emissions savings required to meet the 2030 Nationally Determined Contribution of a 68% emissions reduction compared to 1990 levels.

WHAT IS THE STATE OF THE POLITICAL DEBATE?

After years of broad consensus on net zero, a target legislated by the Conservatives, energy policy is now a hot political topic.

At the core is the accusation, led by Reform UK, that net zero policies mean everyone is paying more than they need for energy, adding to cost of living pressures, and that this is both damaging household finances and driving industry offshore. While Reform’s solution is to cancel all net zero policies, with renewables roll-out in their sights, the Conservatives are also moving to a more sceptical position. Kemi Badenoch [has distanced herself](#) from net zero by 2050, saying it is “impossible” without “bankrupting us”, but has said she still supports it as the ultimate objective. The Conservatives are moving to a position with much more emphasis on nuclear power and, like Reform, would continue to exploit North Sea oil and gas, whereas the government has said it will issue no new licences. The Greens, meanwhile, are pro-renewables in theory, but their co-leader Adrian Ramsay has taken a [NIMBY position](#) on pylons in his constituency. Planning issues continue to inflame local political arguments.

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

Although the government has moved fast on power supply, meeting its 2030 target is still a massive challenge. It remains to be seen how far planning and grid reforms can actually speed up the building of the necessary infrastructure.

But energy prices are even more challenging in the current fiscal and energy environment. It is not at all clear that the government can meet its flagship promise to lower household bills by £300/year. The [Industrial Strategy](#) committed to cut bills for energy intensive users, but there is no funding for this. Potential participation in the EU electricity market may cut costs for consumers (but aligning with the EU ETS, also under negotiation, could raise business costs).

The government is, like its predecessor, reluctant to interfere too much in individual choices which drive demand, whether on driving, flying, diet or heating. Demand may increase significantly in the next few years as more power-hungry data centres add to the strain on system capacity. And, although the transition to clean power is one of eight sectors singled out for special attention in the Industrial Strategy, the government faces challenges in reconciling the actions necessary to achieve net zero with its wider growth strategy (which has seen it favour airport expansion) and geopolitics (China is the cheapest source of renewable technology). Meanwhile the withdrawal (again) of the US from the Paris climate accords and the Trump administration's pro-fossil fuel policies creates more uncertainty about the global transition and the UK's role in it.

LOCAL GOVERNMENT

Tony Travers

WHAT IS THE SITUATION NOW?

Local government in England operates in one of the most centralised systems of its kind in the world. Spending has been cut significantly in recent years. Demand for high-cost services, notably children's and adults' social care and provision for young people with special educational needs, has risen sharply. Nonetheless, the Office for Budget Responsibility [notes](#) that 'despite recent increases in local government grants, real council funding per resident in 2024-25 is 18% below the level in 2010-11'. By contrast, NHS spending has risen by well over a third in real terms over the same period. So local government is highly stretched, becoming increasingly concentrated in provision of these high-cost services, and has seemingly little capacity to respond to the government's growth and devolution agendas.

WHAT IS THE STATE OF THE POLITICAL DEBATE?

Deputy Prime Minister Angela Rayner's Ministry of Housing, Communities and Local Government is currently responsible for a series of a major legislative and administrative reforms which will have profound impacts on local government and on politics more generally.

The planning system is being deregulated as part of an effort to drive housebuilding and regeneration, albeit, as [Paul Cheshire argues](#), the government is being significantly less bold than it had intimated it would be. 'Devolution' reforms in England will see the largest reorganisation of local government since the 1970s with elected mayors being introduced in far greater numbers than hitherto, with powers over spatial planning, transport, skills and economic development.

The rococo local government funding system is under review and will be updated in April 2026 (using new assessments of relative expenditure need), leading to a huge and unpredicted redistribution of spending (and possibly council tax bills) from council to council. A 'local audit office' is to be introduced in place of the under-powered arrangements introduced after the abolition of the Audit Commission by the 2010-15 Coalition government.

This full-on programme of reform affecting local government is taking place against the backdrop of what appears to be a seismic shift in voting behaviour where local government provides a leading indicator of the likely condition of five

or six major parties at the next general election. In the coming three years local government elections will command even more attention than hitherto.

Efforts to increase economic growth are central to the government's political prospects. Councils make virtually all decisions about local development. Reforms intended to speed up planning decisions and reduce 'nimbyism' are thus axiomatic to Labour's hopes of increasing GDP and household incomes. As the government enters its second autumn in power, housing starts have slumped. 2026 will be the year when we learn if planning reforms can help increase the country's faltering GDP.

Changes to the structure of local government, with all-purpose 'unitary' councils throughout England, will see a radical reduction in the number of councillors. Recent research [suggests](#) that councillor numbers in the affected authorities could drop by up to 90%, removing over 10,000 councillors across England. Some of these new unitary councils will have a population similar to those of small American states.

There will therefore be profound impacts on local accountability. More intriguingly, a big cut in the number of councillors will reduce political parties' capacity to fight elections. MPs often have a complex relationship with their local council(s), but there can be no denying locally elected members provide political parties with foot-soldiers. With Labour and the Conservatives losing council seats at scale in 2025 as voters turned to Reform, the Liberal Democrats and Greens, the proposed cut in councillor numbers will pose big questions for political organisers as they seek to sustain local party machines.

Local government finance made headlines this summer when the IFS and other experts produced [exemplifications](#) of how a reformed system of government grants ('Fair Funding 2.0') is expected to shift expenditure around the country in 2026-27. Inner London and parts of the South East will lose significant amounts of central funding, while many councils in the Midlands and the North will gain.

Such a redistribution of grant and spending was, in part, inevitable because the previous government froze the formulae underpinning grants in 2013-14: uprating the system means change. But the problem facing ministers is that many of the losing authorities (including marginally-held Labour ones) have had their spending held down since 2010. Any cuts to their spending will, for some, take local spending on services further below - in real terms - where they were 15 years ago. There will inevitably be a risk that more councils get into the dire straits faced by Birmingham where the government has had to intervene in the finances of the council.

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

Despite the government's policy to deliver 'devolution' in England, the proposed structural reforms represent a combination of passing power upwards from existing smaller councils to new, far bigger, ones combined with a modest devolution of power from Whitehall to mayoral combined authorities. Even when this process has been completed, English devolution will fall a long way short of the transfer of powers devolved to Scotland and Wales in 1999.

Mayors are intended to help the government with its growth agenda by championing development, improving transport and shaping local economies. But, unlike the longer-established ones, most of the new mayoralities have more limited staffing and resources. There will need to be significant capacity building as more and more mayors are elected. Each mayoral strategic authority will need to build an administration with expertise in planning, transport and education. Mayors can be powerful figures and there is no certainty that even if they are from the same party as the government that relations will be harmonious.

Councils losing spending power in 2026-27 to 2028-29 as the result of the 'Fair Funding' process will, by the time of the next general election, have faced two decades of austerity. Even gaining authorities will have fared far less well than protected public services. The viability of a growing number of councils will remain a political problem, with a need for regular Whitehall intervention. Local government, which delivers highly-visible services outside all our homes, is how most people judge the state.

HOUSING

Paul Cheshire

WHAT IS THE SITUATION NOW?

Housebuilding and reform of the planning system were central to Labour's growth agenda and housing policy. Their target was 1.5m homes built by the end of this parliament: 300,000 homes a year, well above the [163,430 a year actually built](#) over 2020-24. Over 3m fewer homes were built in the 30 years to 2019 than in the previous 30 years - [4.5 million fewer homes](#) over the whole 1945-2014 period - relative to European peers.

In his 2023 conference speech, Keir Starmer [described](#) the planning system as a "blockage... to the aspirations of millions" for home ownership and promised to "bulldoze through it", coining the term '[grey belt](#)' to describe bits of the green belt of no amenity value.

Shadow planning minister Matthew Pennycook was more radical still, [announcing plans](#) to "bite the bullet" by releasing parts of the green belt and reintroducing elements of strategic planning. He also announced that Labour would build a new generation of New Towns. As minister, he has announced a [New Towns Taskforce](#) charged with [producing](#) recommendations for sites within 12 months.

WHAT IS THE STATE OF THE POLITICAL DEBATE?

Early on, however, the revised [National Planning Policy Framework](#) (NPPF) made clear the government had decided against radical reform. The urgency of the housing crisis, Pennycook [claimed](#), was such that he had decided against a "radical overhaul" of planning, opting instead for "keyhole surgery" - ten targeted reforms, including relaxing bans on development of green belt land deemed 'grey belt'.

As the experience of 75 years of failure [shows](#), our planning system is so [fundamentally dysfunctional](#) that only radical reform can fix it. Unlike systems in continental Europe, it is almost totally under [local political control](#). All decisions are discretionary and subject to local lobbying. This greatly increases uncertainty and risk, so [reduces supply](#). National policy can only be imposed by the expensively protracted process of appeal to the underfunded Planning Inspectorate. Thus, the ability to resist national policy is almost total, and decisions do not respond to national priorities. The system is supposed to be 'plan-led' but NIMBY-minded local authorities (LAs) have learnt that not having a valid plan is an excellent political defence against building houses.

By the end of 2025, only [22%](#) of LAs are expected have a valid plan. Even when they do, it is frequently disregarded in the local political decision-making.

An underlying problem is the conflict between existing homeowners and local interests, and those of wider [society and non-owners](#). Substantial costs fall locally and on specific individuals: benefits are more diffuse, so local control is [inimical to development](#) and the government has failed to tackle this. This is why the Liberal Democrats are so conflicted. Their desire for more houses is in direct conflict with their policy of 'localism'.

The Planning and Infrastructure Bill shows government has not grasped this reality. It contains six reforms, all of which assume the existence of goodwill among LAs – often of radically different political complexion – to build and co-operate, and a functioning planning system. The potentially most effective measure could be the change to permit all development proposals that conform to the local plan. But not only are these lacking in nearly 80% of cases (outside the Greater London Authority), there is still no effective mechanism for ensuring there are plans. The threat that where there is 'egregious delay', LAs will have a plan imposed by the Inspectorate is an empty one. Even with a well-funded Inspectorate, this would take years.

Proposed changes to [compulsory purchase](#) might help – but only in the long term for New Town Corporations – and only on a piecemeal basis. In the cause of [speeding the Bill's passage through the Lords, government](#) amendments watered down the proposals to simplify the 'nature recovery' requirements (themselves largely irrelevant to the loss of habitat which is mainly caused by intensive farming). All the other changes are marginal at most and/or require goodwill and co-operation without the mechanisms to achieve it.

Potentially the most effective measure Labour proposed before the election was to release green belt land with no environmental or amenity value – the grey belt. But the government has failed to provide a watertight definition of grey belt in the NPPF. This will make it impossible to challenge LAs who simply 'discover' they do not have any such land. This seems like a massive missed opportunity to transform housing supply, since it is the constraint on land which is the binding constraint on supply. One of the simplest definitions of the grey belt – land within 800 metres of commuter stations – [would provide](#) an additional million homes just around London without building on any land with environmental or amenity value.

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

There are signs of an economic downturn pausing house price growth, but the supply crisis continues unabated. If anything, house building has slowed. Building is highly cyclical so one cannot conclude much from one year's figures and building has been trending down since 2021, but [completions in 2024](#), at 153,900, were 15% below 2021, barely half the rate needed to meet Labour's target. More concerning was the most obvious indicator of future building – [planning applications](#). In the first quarter of 2025, these were 32% below the equivalent quarter of 2021 and the lowest for any first quarter since 2015.

That leaves the government relying on New Towns to deliver. But the ambition here – ten new communities of at least 10,000 homes – suggests, at most, they could deliver a year's worth of extra homes. And with locations not yet announced, little, probably nothing, before 2030.

A clearcut definition of the grey belt and a presumption in favour of development for all proposals on land with a low affordability ratio (unless an LA has a valid plan in place) would lead to rapid improvement. Especially if coupled with a thoroughgoing strategic review of the green belt and of viable alternatives to our discretionary planning system. As it is, having raised expectations of real change, the government faces the prospect of joining the long line of those that have failed to find a way out of the housing crisis.

HEALTH AND SOCIAL CARE

Anita Charlesworth

WHAT IS THE SITUATION NOW?

Public satisfaction with the NHS is at its [lowest level since 1983](#), with only 1 in 5 'very' or 'quite' satisfied, compared to a high of 70% in 2010. One of the Labour government's first steps [was to commission](#) Lord Darzi, a surgeon and former health minister, to undertake an assessment to inform the development of a 10-year Health Plan.

This found systemic problems across the NHS. Waiting time standards for planned hospital care and A&E had not been met since 2016; 350,000 people were waiting more than a year for mental health treatment; the proportion of people reporting waiting a week or more for a GP appointment has doubled over the last decade.

Beyond the NHS, Darzi found that the nation's health is deteriorating. Improvements in life expectancy stalled in the decade before the pandemic. Adults are falling into ill-health earlier, children are less healthy than a decade ago and there are substantial health inequalities. Almost 800,000 (40%) more people of working-age are economically inactive for health reasons [than in 2019](#).

Satisfaction with the social care system is even lower than with the NHS; [just 13%](#) were 'very' or 'quite' satisfied with social care last year. Demand for care is increasing at a faster rate than supply and over 370,000 people [are waiting](#) for care assessments and services. Social care providers are [under financial pressure](#), with rising costs coming after years in which fees paid by local authorities have not matched the cost of care.

WHAT IS THE STATE OF THE POLITICAL DEBATE?

The NHS is [consistently in the top three](#) issues of concern for voters. The political debate is primarily focused on performance rather than major differences over policy direction. [All the main parties](#) pledged to maintain an NHS funded through taxation and free at the point of use, while focussing on improving access to care and reducing waiting lists.

The Labour government [argues](#) that Reform UK intends to either introduce charges for accessing NHS services or 'scrap the NHS' entirely, based on comments from the Reform UK leader Nigel Farage, before and after the general election.

In July, the government published its [10 Year Health Plan](#). This prioritises three shifts across the health system: from analogue to digital, from hospital to the community and from treatment to prevention. The parliamentary debate following its publication revealed considerable political consensus from. Edward Argar, then-shadow Secretary of State for Health and Social Care, [backed](#) the reforms. Political debate is focused on the pace and effectiveness of delivery and improvement.

Beyond the NHS, legislation for a ‘[smokefree generation](#)’ has been reintroduced, after the Sunak government’s bill was shelved. The Tobacco and Vaping Bill comfortably passed third reading in the Commons with only Reform UK opposed. However, action to tackle the UK’s other main public health challenge – obesity – is more tentative. The government is introducing a new Healthy Food Standard but [making limited use](#) of tax and regulation, despite them [being key](#) to reducing smoking.

The delivery of Labour’s commitment to introduce a National Care Service has been delayed. The government has set up an independent [commission](#) to build cross-party consensus. Many in the sector are [dismayed](#) at the slow timescale – the final report isn’t due until 2028 – but the issue has limited political traction.

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

Implementing the 10 Year Health Plan is the key priority. There is caution from NHS leaders and experts about the scale of the implementation challenge [involved](#). Prevention, community-based care and digital transformation have been themes for at least 20 years. Moreover, there is a tension between the transformative focus of the plan and the much narrower hospital waiting times framing of the government’s health [milestone](#).

Neighbourhood health is one of the central ideas in the plan, but the results of similar initiatives to shift care are mixed at best and there are no clear proposals for [how to overcome the barriers](#) previous reformers faced.

The last NHS plan with similar levels of ambition was in the 2000s, when NHS funding increased by 6.8% a year in real terms. The equivalent figure today is 2.8% a year in real terms (admittedly higher than economic growth and [overall public spending growth](#)).

This is compounded by the challenge of NHS productivity (the amount of care provided by a given level of staff, equipment and facilities) which fell sharply during the pandemic and has yet to recover. Underinvestment in capital, workforce challenges, weak incentives and limited management capacity and

capability are [key contributing factors](#). NHS productivity is [8.8% below](#) pre-pandemic levels. The 10 Year Health plan sets the ambition to increase NHS productivity by 2% a year, more than double the long-run trend, and seeks to sharpen incentives with elements of a return to the quasi-market reforms of the 2000s, but much of this will be phased in over several years.

The plan assumes digital technology can improve productivity. There is clearly much potential, but the NHS's ability to reap those benefits is constrained by gaps in basic digital and data infrastructure. Fixing those fundamentals will take time and [investment](#).

There are two further significant risks to delivery. First, the government has decided to undertake a structural reform of the NHS. NHS England, the arm's length body set up in 2014, is to be abolished and merged into the Department of Health and Social Care. Evidence from previous reforms suggests this will take time and money and divert the focus of NHS leaders from delivery. The second is workforce. In its first few months in office, the government settled the industrial action that had been underway since before the general election, [accepting](#) the pay award recommendations of the independent pay review bodies, with substantial increases for resident (formerly junior) doctors. However, resident doctors returned to strike action in July this year, seeking what they call 'full pay restoration', based on the change in the retail price index since 2008. Although NHS England [reports](#) that less than a third of resident doctors joined the strike action this time round, the RCN is [also threatening](#) to ballot its members about industrial action. A winter of NHS staff discontent would set back progress, but large pay awards would derail the NHS's already tight finances. Both make the delivery challenge even greater.

EDUCATION

Carole Willis

WHAT IS THE SITUATION NOW?

Last summer's change in government signalled a change of direction in education policy. In particular, the [manifesto](#) pledged curriculum reform, a teacher recruitment drive, and broader policies to 'break down the barriers to opportunity'.

Two education bills were introduced in the first parliamentary year: the Institute for Apprenticeships and Technical Education Bill, and the Children's Wellbeing and Schools Bill. The first established Skills England, a body with an expanded remit to look at skills gaps and demand, and to determine the types of training eligible for the [Growth and Skills Levy](#).

The Children's Wellbeing and Schools Bill contains reforms to children's wellbeing as well as controversial proposals impacting academy freedoms, which mark a significant departure from the previous government's policy on academies. The proposals include the extension of Qualified Teacher Status to academies, bringing requirements in line with maintained schools, aligning teachers' pay and conditions with maintained schools and mandating national curriculum delivery. The bill also proposes abolishing the presumption that all new schools must be academies, giving local authorities the discretion to propose other school types. Prior to the summer recess, the bill was in its committee stage in the House of Lords and may become law in the autumn.

The [2025 Spending Review](#) announced a per-pupil funding increase of 1.1% per year over the next three years and a £1.2bn investment per year by 2028/29 in training and apprenticeships. The Chancellor also announced investment in special educational needs and disabilities (SEND) as well as a Schools White Paper, to be introduced in the autumn. However, the overall funding position for schools has raised significant concerns [in the sector](#), particularly in relation to teacher pay and how school budgets will cover increases in pay and employer national insurance contributions.

The two major education consultations launched in the last year were the Curriculum and Assessment Review, and an Ofsted consultation on reforming inspections. The [Curriculum and Assessment Review](#), led by Professor Becky Francis, aims to review the existing national curriculum and statutory assessment system in England, and seeks to deliver a broader curriculum to ensure young people leave education ready for life and work. The initial call for

evidence received responses from over 7,000 respondents, and an [interim report](#) was published in March 2025. The full report is expected to be published by the end of this year.

Following [abolition of single headline grades](#) in autumn 2024, the Ofsted consultation proposed reforms intended to improve inspection and reduce pressure on teachers and leaders. These included the introduction of report cards and education inspection toolkits. Ofsted also announced that it would work with the government on their proposals to inspect multi-academy trusts.

WHAT IS THE STATE OF THE POLITICAL DEBATE?

One of the first actions of the new government was to make good on its manifesto commitment to introduce VAT on private schools. This was pitched as the ending of a tax break for private schools, whereas some opposition parties criticised the move, stating that it could result in school closures, and could impact parents of pupils with SEND.

A key pledge of the new government, in light of teacher recruitment and retention challenges, was to recruit 6,500 new teachers. Whilst latest data shows [signs of promise](#), opposition parties have accused the government of moving the goalposts by removing primary school teachers and a focus on ‘shortage subjects’ from the target. The impact of teacher shortages is more acute in schools with more pupils from [disadvantaged backgrounds](#).

Ofsted’s consultation on their proposals for report cards and education inspection toolkits has been met with some concern, particularly from education unions who believe report cards will not deliver significant change or reduce teacher workload. Political debate has focussed on what has been called the complex nature of the proposals and the timescale for delivering the changes in the next academic year.

A key achievement highlighted by the government over recent months has been the introduction of [free breakfast clubs](#). Meanwhile, opposition parties continue to press the government on issues including pupil absence and the use of mobile phones in schools. Opposition parties, and even some on the [Labour benches](#), have spoken out against changes to academy freedoms in the Children’s Wellbeing and Schools Bill, with the bill having faced a large number of amendments throughout its parliamentary passage. Opposition to the bill has primarily focused on policies to change academy freedoms, with the Shadow Education Secretary stating that it was “[the policy equivalent of a wrecking ball](#)”.

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

The key longer-term issue is ensuring the education system is sufficiently funded, particularly in light of wider economic challenges and competing priorities for public funding, such as defence. [Falling pupil numbers](#) could both ease pressures for the system as a whole and exacerbate budget challenges for individual schools. Ensuring children and young people are taught in well-funded institutions, in appropriate buildings and by qualified teachers is vital for successful outcomes and for the future of the economy and society.

Politicians and the public alike have long been calling for reform of the SEND system, with the existing provision overstretched and underfunded. These issues are particularly acute due to years of funding challenges for local authorities and a large increase in pupils with additional needs. In the 2025 Spending Review, the government announced a White Paper to be published in the autumn which aims to make the system more inclusive and improve outcomes for all children and young people. Prior to the summer parliamentary recess, Ministers refused to rule out the scrapping of Education, Health and Care Plans (EHCPs), which caused concern among some campaigners.

The Curriculum and Assessment Review final report is due to be published by the end of the year, with proposals and recommendations for the government to take forward. The proposals could present opportunities and challenges for the sector, particularly with regards to a widening of the curriculum and potential changes to examinations, and it is expected there will be further opportunities to feed into proposals through future consultations and parliamentary inquiries.

HIGHER EDUCATION

David Willetts

WHAT IS THE SITUATION NOW?

Higher Education is in severe financial difficulties. University teaching is largely funded by tuition fees. These were set at £9,000 in 2012 and now stand at £9,500 - a 25% fall in the real resource for educating students in England. Scotland faces potentially even more difficult pressures with the lack of fee income from home students. Wales has fees but a better contribution to student maintenance from grants.

Overseas students bring in substantial income but they are treated as immigrants, and the regime is becoming more restrictive. Their revenues were used to cross-subsidise research but are now increasingly being diverted to help plug teaching deficits. That, alongside inflation undermining the value of multi-year research grants, is creating pressures on research funding.

Undergraduate students do not pay fees up front. However, they have to find the cash to live on and maintenance loans have lost value relative to student living costs, notably rents. This means that students from lower income families are increasingly likely either to live at home, as commuter students, or to work whilst studying. Both options mean they are less likely to benefit from the full higher education experience. This is a threat to the historic role of universities as an engine of social mobility - the only stage of education where those from disadvantaged backgrounds outperform and catch-up.

WHAT IS THE STATE OF THE POLITICAL DEBATE?

In much of the policy landscape, the problem is instability as policy chops and changes. But the financing of higher education out of fees and loans is very different - the policy framework has not changed. The basic model has been operating for over twenty years. It is unloved but stable - indeed too stable.

No political party makes the case for the current system, but none has been able to come up with a viable alternative. Higher education is not a priority for public funding. There are some who advocate a graduate tax but there is no national register of graduates. If it were just applied to new students, it would not become a useful source of funding for a decade or more. A graduate tax is very different from asking students to repay the cost of their education if they can afford it because it would not be capped and the total paid would depend on earnings. There is no precedent in Western countries for a tax on people because they have gone to university.

There is growing concern about graduate job prospects and evidence that graduates from some courses may earn little more than non-graduates. This prompts political interest in greater control over universities, including the power to close down courses. However, the graduate premium is still significant: the average graduate in their twenties earns £31,500 compared with £26,500 for a non-graduate. Going into higher education remains one of the most powerful interventions to boost lifetime earnings – though the premium has fallen a bit in part because the minimum wage has [pushed up the earnings](#) of non-graduates. Intervening to close specific courses would be a significant break with the English model of autonomous universities and would seem disproportionate when the taxpayer contribution here is lower than in any other Western country apart from the US. Indeed, going to university on average yields an average exchequer benefit of £75,000 per student and the LSE [estimates](#) that the expansion of higher education was responsible for 15% of national growth in 2000-2007.

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

The immediate need is to stabilise university finances. One option is to increase public expenditure on university teaching. It is currently only provided for high-cost subjects. But, a broader teaching grant was paid up to 2012 and this could be reinstated. However, wider fiscal pressures make this unlikely. An alternative is to increase the fee by inflation or perhaps even more. It could be supplemented with an increase in public spending for high-cost subjects. There need not be any change in repayment terms, so no graduate would face an increased monthly cost which is already modest at 9% on earnings above £25,000. The average young graduate earning £31,500 a year and enjoying an earnings premium of £5,000 makes loan repayments of about £600.

Student living costs are also under pressure as maintenance loans do not meet them in full. Students are responding with two thirds doing paid work during term-time – up from a third only a few years ago. More may also be living at home and commuting. Those trends do mean a significant change in their experience of higher education and may reduce its benefits. It also opens up a social gap as students from more affluent families do not have to adjust in this way. Alternatives, therefore, would be to bring back means-tested maintenance grant or increasing maintenance loans or both.

Media scepticism may be deterring some young people from going to university. 40% of young people who do not go to university regret it by the age of 25 (compared with just 13% of graduates who would have chosen not to go.) This increases the need for effective programmes for accessing higher education later in life. The UK has seen a decline in adult learning which could be a factor

reducing labour force participation amongst older people. The lifetime loan entitlement may boost access amongst adults. It needs to be associated with a shift to shorter bite-size courses.

Universities transform places. Setting up a university in a cold-spot is one of the most effective forms of urban renewal – as can be seen in Lincoln or Chester or Worcester. LSE [research shows](#) that a 10% increase in the number of universities is associated with a 0.4% rise in GDP per capita in a region. Enrico Moretti's work shows that the earnings of non-graduates are also higher in places with clusters of graduates. A university going bust could have a significant impact on the local economy. Indeed, the benefits to a town of gaining a university can be considerable – one reason why the previous Labour government launched in 2008 a competition to create new universities in cold-spots.

Higher education is a powerful tool to boost economic growth and earnings. We should use it.

TRADE

Sarah Hall

WHAT IS THE SITUATION NOW?

Trade is no longer an obscure technical issue but the subject of contentious debate involving questions of economic growth, geopolitics and security. Increasing protectionism and concerns about supply chain security have grown in many western economies for a number of years, following Covid-19, geopolitical instability in the Middle East and the Russian invasion of Ukraine. However, trade debates have been given a significant urgency by the policies implemented by President Trump – particularly his use of tariffs.

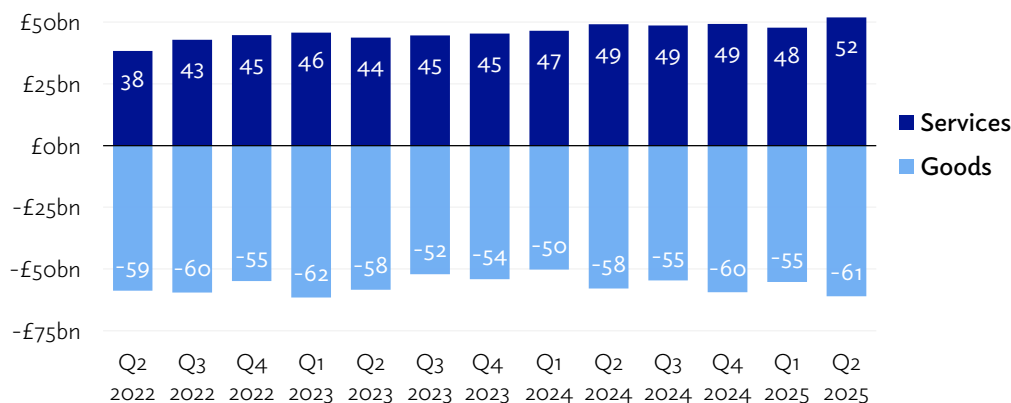
The challenges are in some ways particularly acute for the UK. For one thing, it has been developing its own trade policy in an uncertain and protectionist environment. For another, it is an open economy in which total trade is [equivalent](#) to around 60% of GDP. However, the UK's openness to trade is [declining](#) and the sectoral composition of UK trade is [changing](#). Services form an increasingly important component of UK trade while performance in goods trade has been comparatively weak of late.

Services are increasingly dominating the UK's trade performance

UK trade balance for goods and services, Q2 2022 to Q2 2025, current prices, seasonally adjusted.

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UK IN A
CHANGING
EUROPE



Source: Office for National Statistics, UK trade: June 2025, Figure 9.

WHAT IS THE STATE OF THE POLITICAL DEBATE?

All major parties recognise that trade matters for economic growth. However, they differ on which trade partners should be prioritised and the policy levers that should be used to deliver this.

Following Brexit, Conservative governments were tasked with developing a trade policy for the UK for the first time since it joined the EC. This required not

only a strategy but also a workforce in Whitehall capable of negotiating trade agreements at pace.

This worked well in terms of rolling over trade agreements that essentially replicated the ones the UK had as an EU member state prior to Brexit. Where it was less successful was in delivering new global free trade agreements, which were an important element of the Johnson administration's vision of a post-Brexit 'Global Britain'.

But, perhaps the biggest difference between the parties is how the UK should approach trade with the EU. For the Conservatives, this is not a priority, despite the fact that the EU remains the UK's largest trading [partner](#), with 41% of all UK exports going to the EU in 2024 and the EU accounting for 51% of imports.

Rather, the Conservatives focused on non-EU trading partners, most notably in the Asia-Pacific region. The UK became the first European country to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in December 2024.

The Starmer administration, has focused on trying to '[make Brexit work](#)'. This points to an acknowledgment of the economic logic of pursuing closer trade with the EU but delivery has been hindered by political caution as the government responds to the rise of Reform and a sense that the electorate does not want to return to the [Brexit debate](#).

At the same time, Starmer has concluded trade deals with India and the United States, which were targeted by the previous Conservative government but were not concluded. These deals point to the ways in which the UK can develop trade relations with both the EU and the rest of the world, something that became rather obscured as an option during the Brexit debate.

The Liberal Democrats bring a clear focus on EU-UK trade [arguing](#) that, in an era of growing geopolitical uncertainty, the UK should be focusing on deepening its trading relationships with its closest trading partner through a bespoke UK-EU customs union. It is not clear how this might work in practice.

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

The government has sought to set out the future direction of UK trade policy with the publication of its [UK Trade Strategy](#) in June 2025. This seeks to position trade as a key lever in stimulating much needed domestic economic growth, as well as offering more support for businesses in taking advantage of trade agreements and increasing the security of UK trade interests.

However, this strategy has been somewhat overshadowed by the widespread and unpredictable tariff policy introduced by President Trump. How the UK balances its economic relationship with the US alongside those it has with partners such as the EU and China is likely to be a key challenge, at least during this American presidency.

The US is an important trade partner for the UK. In 2024, it [made](#) up close to 16% of UK's goods exports and 27% of all services exports. However, some sectors are particularly reliant on the US market, particularly automotive, for which the US made up 27% of the UK export market.

The UK has successfully managed to avoid the most punitive US tariffs. The UK-US Economic Prosperity Deal of spring 2025 grants a number of tariff concessions in some sectors, notably automotive. It does not, however, return the UK to the status quo ante Trump. There are also concerns that it doesn't provide the certainty that businesses exporting to the US would like, partly because the US tariff policy continues to change rapidly. Furthermore, whilst attention so far has focused on tariffs for goods, little is known about the implications of a more protectionist US for services trade, something that is of particular importance for the UK.

The most significant concern, likely to be the longer-term focus of the UK trade policy debate, is the extent to which the approach taken by the current US administration threatens the rules-based trading system underpinned by the World Trade Organisation (WTO). This system has been underpinned by US leadership, though some [commentators](#) are suggesting that era is over, as the US focuses more on putting 'America first'.

It is hard to predict what such a profound shift in geopolitics might mean for world trade in the longer term, but it does suggest that the UK will need to consider its trading relationships. This means not only with longstanding western partners, such as the EU and the US, but also with countries that are increasingly seeking to exert themselves in world trade, most notably China and India. The UK will need to be clear about what its trade ambitions are and how much of a role it wants to play in supporting the multilateral institutions, such as the WTO, if the US seeks to step away.

CRIME AND JUSTICE

Richard Price

WHAT IS THE SITUATION NOW?

Though it may come as a surprise to many, total crime has roughly halved since 1997, despite [recent rises](#). However, the composition has shifted significantly, including a surge in fraud and other technology-enabled offending that is harder to prevent, investigate, and prosecute. Fraud [rose 31%](#) in the year to March 2025, becoming the largest single category of crime. This has been [accentuated by](#) organised criminal groups exploiting low-cost digital tools to commit offences at scale and across international borders. Moreover, while overall violent crime has fallen, the proportion of violent and sex offences reported to the police has [risen markedly](#) in the last decade. These changes fundamentally alter the challenges confronting the criminal justice system.

High-profile ransomware attacks and data breaches have amplified concern about cyber-enabled crime, while visible offences such as shoplifting – recorded incidents [rose 20%](#) in the year to March 2025 – have heightened anxiety despite long-term declines. This gap between long-run trends and day-to-day experience has [eroded public confidence](#) in policing's ability to tackle crime effectively. The erosion of trust poses risks not only for the legitimacy of the criminal justice system but also for consumer trust in an increasingly digital economy.

Pressures across the justice system exacerbate these challenges. Notwithstanding some [successes](#), specialist skills and tools for complex digital investigations remain in short supply. In both crown and magistrates' courts, the number of outstanding cases is close to record levels, straining the ability of the courts to deliver timely justice, with a [30% rise](#) in end-to-end processing times from offence to case completion in the crown courts since 2019.

Having operated [close to capacity](#) for several years, prisons are under [significant stress](#): inspections repeatedly find that overcrowding and understaffing [undermine safety](#), diminish constructive staff-prisoner engagement, fuel drug misuse, and [impede access](#) to rehabilitative programs mandated in sentence plans. The Chief Inspector of Prisons [has highlighted](#) inconsistent practices and cultures between establishments, including uneven approaches to effective offender management. Meanwhile the Probation Inspectorate [points to](#) services working beyond notional capacity across large areas, struggling to sustain rehabilitative work at scale, and weakening efforts to reduce reoffending on release. Entrenched disparities by race and gender persist across the system, both [for offenders](#) and in [system leadership](#), further challenging legitimacy and outcomes.

The [Spending Review](#) responded with significant investment across the system, expanding custodial and community capacity and funding process and productivity reforms to raise court throughput. It [also funded](#) preventative, inter-agency support for adults with complex needs – including mental health, addiction and homelessness – pooling local data assets across services to divert people from crime and other bad outcomes, thus reducing demand for high-cost public service interventions while boosting labour market participation.

WHAT IS THE STATE OF THE POLITICAL DEBATE?

The government has sought to set the agenda with a series of reviews and measures under its ‘[Taking Back Our Streets](#)’ mission, including action against violent crime and persistent anti-social behaviour through its [Crime and Policing Bill](#), with new powers to tackle anti-social behaviour, knife possession and retail crime. It has made a [key commitment](#) to halve violence against women and girls.

However these have yet to convert into public confidence in delivery. [Polling suggests](#) only 21% of the public consider performance effective on this mission, while 49% judge it inadequate – the weakest rating across the government’s [five missions](#). This gap between policy signalling and perceived outcomes has framed a highly contested political space.

Opposition parties have seen the opportunity to capture the initiative. The Conservatives have emphasised rising lower-level, visible crimes to depict the justice system as ‘soft’, despite historically tough sentencing in many areas. They have [highlighted](#) areas where efforts to address systemic inequalities have allegedly constrained operational effectiveness, including ethnicity considerations in child abuse investigations. The government launched a [formal inquiry](#) following Louise Casey’s review into child exploitation and grooming gangs.

The Liberal Democrats have focused on system [capacity](#) and [delay](#), arguing for a stronger victims’ agenda, greater use of rehabilitative and community sentences, and a renewed emphasis on prevention to relieve pressures downstream. Reform UK has [advocated](#) sweeping structural reform, ‘zero-tolerance policing’ and tough enforcement, though the absence of detailed resourcing plans has been criticised.

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

Short-term pressures and resourcing constraints often crowd out opportunities to reshape the justice system for the longer term. Yet the government, still early in its term, retains a window to tackle immediate problems within a longer strategy.

Prisons hit effective capacity in July 2024, forcing the incoming government, as one of its [first actions](#), to extend early-release schemes for lower-risk prisoners.

With numbers still rising, ministers asked former Conservative Lord Chancellor David Gauke to lead an [Independent Sentencing Review](#), reporting in May 2025. Gauke urges a reset of the statutory purpose of custody so prison is reserved for those who pose genuine risks, with the system's overarching purpose reframed around crime reduction. He advocates greater use of non-custodial options and replacing routine automatic release with earned early release for lower-risk prisoners. Against the [backdrop](#) of [longer](#) prison sentences, a collapse in community sentencing – from 11% of all sentences in 2015 to 6% in 2023-24 – [coincided](#) with previous structural reforms to probation. To reverse this, Gauke proposes strengthening probation through expanded treatment capacity, enhanced electronic monitoring, and more systematic data use in offender management.

In parallel, Sir Brian Leveson's review [characterises](#) the criminal courts as 'in crisis', with a 'real risk of total collapse' as delays deter victims and witnesses. He recommends reshaping the courts: limiting jury trials for low-level offences; establishing an intermediate crown court division with a judge and two magistrates; reclassifying more offences for out-of-court or magistrates' disposal; expanding judge-only trials; and prioritising early or negotiated resolution. These proposals – especially curtailing jury trials – have prompted cross-party controversy. Leveson's second phase will probe systemic efficiency, including fragmented digital systems, weak cross-agency collaboration, and underuse of shared data.

With robust independent advice now in place and four years left in this parliament, this government has a rare opportunity – notwithstanding public scepticism – to pursue ambitious, durable reform.

IMMIGRATION

Peter W. Walsh and Madeleine Sumption

WHAT IS THE SITUATION NOW?

Immigration is once again one of the top issues in the UK's public debate. In July 2025, 40% of respondents to the [Ipsos Issues Index](#) cited it as a top concern – ahead of the economy and the NHS.

[Net migration](#) remains unusually high by historical standards, but has fallen since the record levels seen in 2022 and 2023, following restrictions under both the previous and current governments. While legal migration is falling, the number of people arriving in small boats has increased. From January to mid-July 2025, around 23,500 people reached the UK in small boats – 50% more than in the same period in the record year of 2022.

In 2024, asylum claims hit an all-time high. While the backlog of people awaiting an initial government decision on their asylum claim fell slightly in the first year of Labour's tenure, a new [backlog of appeals](#) has built up in the courts.

The government has pledged to eliminate the use of asylum hotels. However, at the end of June 2025, 32,000 asylum seekers – 30% of the supported population – remained in hotels. While the costs of the asylum system have fallen over the past year, they remain high by historical standards, with an estimated [£4bn](#) of spending in 2024/25 (around half of which was on hotels).

WHAT IS THE STATE OF THE POLITICAL DEBATE?

The previous Conservative government combined radical policies restricting asylum with a relatively liberal approach to work and study – until a package of visa restrictions introduced in 2024. Labour has ditched the previous government's asylum policies but retained their restrictions on legal migration – and gone further. Its May 2025 White Paper, [Restoring control over the immigration system](#), pledged to reduce migration and link visas more closely to skills policy and the industrial strategy. Recent changes have restricted the 'skilled worker' route to degree-level jobs, raised salary thresholds, and closed the 'care worker' route to overseas recruitment.

More contentiously, Labour has proposed increasing the residence period required for settlement from five to ten years, with discounts for those deemed to be making economic or social contributions. Details are sketchy, pending a consultation expected towards the end of the year.

On small boat arrivals, Labour scrapped the Rwanda plan and adopted a strategy combining tougher enforcement with international cooperation. Sunak's 'stop the boats' has been replaced with Starmer's 'smash the gangs', reflecting a focus on disrupting criminal smuggling networks. To this end, Labour [established](#) the Border Security Command to coordinate investigations, has [committed](#) to increasing staffing, and introduced to Parliament the new [Border Security, Asylum and Immigration Bill](#), to give UK authorities counter-terror-style powers, including greater powers of search and seizure.

The government has agreed a treaty with Germany to address unauthorised migration and will pilot a 'one-in-one-out' [returns deal](#) with France, which would allow the UK to return arrivals to France in exchange for an equivalent number of asylum seekers in France with family ties in the UK. However, other EU countries have voiced their [opposition](#), and key details remain unclear. The desired deterrent effect will depend heavily on the number of people being returned.

Finally, the [role of human rights](#) has become much more salient in the migration debate. Labour wants to remain in the European Convention on Human Rights (ECHR) but restrict its application by UK judges in cases involving family migrants and foreign national offenders. The Conservatives have launched a review, while Reform want to leave the Convention. This debate is not exclusively about immigration, but immigration is one of the major areas of law at stake.

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

Whether migration will return to or go much below pre-Brexit levels following recent policy changes remains uncertain. If the government wants to reduce migration levels further, the main challenge it will face is that the 'easiest' cuts have already been made, such as restrictions on student dependants and middle-skilled jobs. Among the migration categories that remain, the ones that are easiest to restrict are also the ones that are more economically beneficial, namely skilled workers and international students.

Even if the government succeeds in substantially improving domestic skills (a big task), this will not automatically translate into less immigration: if it wants skilled migration to fall it will probably have to restrict it using visa policy. But, now that most skilled workers will have to earn at least £41,700 a year, restricting this group further is likely to come at a fiscal cost. And the current government, like the last, has not reached a clear position on whether they are content with the increased numbers of international students attending the UK's less selective universities.

The decision to close the care route is likely to reduce exploitation in the UK's visa system and might be beneficial to public finances in the long run (admitting low-wage workers on visas brings the potential for long-term fiscal costs). However, the question of how the government will address pressures in the funding and staffing of social care has not been resolved.

In the near term, the asylum backlog and resulting reliance on hotel accommodation will remain a significant challenge. Legal challenges and public protests have increased pressure on the government to move asylum seekers out of hotel accommodation quickly. While the backlog of initial decisions can be reduced by hiring more caseworkers, appeals depend on judicial capacity, which is harder to scale up. Further increases in asylum applications are making the challenge even harder.

As for 'smashing the gangs', smuggling networks are decentralised, highly adaptive, and often based in jurisdictions with which the UK has limited law enforcement cooperation. In theory, an effective disruption strategy might increase the costs and reduce the availability of opportunities to cross the Channel. The UK-France deal might have an impact, but probably only if the government can persuade France to scale it up. So far, however, any impact on smuggling operations has not been big enough to see in the statistics. The government will be watching them closely and hoping that changes.

FOREIGN AND SECURITY POLICY

Anand Menon

WHAT IS THE SITUATION NOW?

Keir Starmer's government has governed in a time of profound geopolitical, ecological and technological transformation. War rages in Europe, and Gaza. And the UK is wrestling with a changing global order characterised, not least, by an increasingly assertive China and a mercurial US President Trump.

The lattermost represents perhaps the most pressing challenge. Trump generated concern about his attitudes towards both the conflict in Ukraine and European security more broadly, while his tariff policies are disrupting the global trading order. Closer to home, the new government has begun to act on its manifesto promise to 'reset' relations with the EU ([covered in another section](#)) and renewed its security and defence ties with Germany and France.

While the 2021 [Integrated Review](#) signalled an 'Indo-Pacific tilt,' the outbreak of war in Ukraine saw a shift of focus back towards Europe in the 2023 [refresh](#), reinforced with the 'NATO first' approach adopted in this government's [Strategic Defence Review](#).

At the same time, the government wants to stabilise commercial ties with China. The UK-China Economic and Financial Dialogues allowed for deeper [cooperation](#) across a number of areas, including financial services, green finance and trade.

On Gaza, the UK has coordinated with France and Germany via the [E3](#) grouping, while attempting to shape US policies. At Turnberry in July, the Prime Minister had some success in persuading President Trump of the [scale](#) of the humanitarian crisis confronting the Palestinians. Subsequently, and following the deterioration of conditions on the ground, Starmer [announced](#) that the UK would recognise the state of Palestine unless Israel agreed to a ceasefire and a long-term sustainable peace.

Starmer has to date played a difficult hand pretty well. He has reconciled the potentially contradictory needs of maintaining good relations with the EU, US and China, while reinforcing security cooperation with European allies and avoiding the worst of the Trump tariffs. He has established himself as a leader of the 'coalition of the willing' on Ukraine. The US commitment to NATO was reaffirmed, albeit at the cost of significant increases in defence spending.

In February 2025, Starmer had announced his [intention](#) to increase defence

spending from 2.3% of GDP to 2.5% from April 2027, with an ambition to reach 3% in the next parliament. At the NATO summit in June, he committed to spending 5% of GDP on national security (3.5% on defence and 1.5% on resilience and security) by 2035. However, the financing of that increase in military spending came at a cost to UK soft power: influence in the global south will necessarily be impacted by the decision to [reduce](#) overseas development assistance from 0.5% to 0.3% of GNI.

WHAT IS THE STATE OF THE POLITICAL DEBATE?

There is broad consensus over many issues, not least Ukraine. Even Nigel Farage, who had argued during the 2024 election that the west had provoked the Ukraine war was, by February 2025, putting himself at odds with Donald Trump by [arguing](#) that Ukraine should join NATO.

The Liberal Democrats have tried to profit from the government's close links with the US administration, with Ed Davey [branding](#) the US President a 'bully'. Perhaps more surprising has been their muted approach to EU policy, though there have been recent [signs](#) the party might be more willing to challenge what it sees as Labour caution.

The main pressure on the government comes from within its own ranks. It was because of internal pressure – and divisions within the Cabinet itself – that the Prime Minister moved towards recognition of Palestine. The party is wary of the danger of losing votes to pro-Palestinian candidates – and conceivably to the new Jeremy Corbyn Party – should some voters continue to be dissatisfied with what they see as its timidity on Gaza.

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

While Starmer has worked well with him, President Trump remains unpredictable. Longer term, there is the lurking danger of a more ideologically motivated MAGA President being less willing to work with the UK and less committed even than the current incumbent to the US role in guaranteeing European security. Difficult decisions will then impose themselves on dealing with a weakening US commitment and how to build genuine European military capabilities – Portugal has already [cited](#) the 'predictability of our allies' as a reason for considering alternatives to the US-made F-35A.

While the EU reset has proceeded well to date, the UK faces the ongoing challenge of having to build closer security relations while remaining outside the single market. Equally, tensions might easily appear between the different strands of UK policy. One could easily imagine, for instance, a trade war between the US and the EU leading to calls for the UK to choose sides.

China policy could also be a target. The UK-US trade deal includes the provision that the UK should comply with American security requirements – something [often interpreted](#) as targeting Chinese involvement in supply chains. Meanwhile, the US has expressed ‘deep concern’ over the planned new [Chinese Embassy](#) in London – the UK government has asked for further information about redacted parts of the plans submitted.

In the longer term, that climate change represents a foreign policy challenge is obvious – some estimates suggest that 200 million people may be driven from their communities, potentially exacerbating geopolitical instability. In terms of technology, not only is the prospect of Artificial General Intelligence potentially a threat in itself, but there is the real risk that increasingly mercantilist approaches to technology policy mean UK influence and prosperity are undermined by others who harness AI more effectively. Again, the UK may be forced to choose between its various potential partners in this area.

Finally, and in common with the other areas addressed in this report, low growth and fiscal constraints loom large. Cuts to overseas aid imply difficult [choices](#). When dealing with China, policymakers will have to strike the right balance between economic openness and security – the Chancellor is acutely aware of the need to boost trade with China, while others take a more cautious approach.

Perhaps most acutely, real-terms defence spending [fell](#) by 22% between 2009/10 and 2016/17 and so investment is badly needed. Yet the IFS has [pointed out](#) that higher taxes or cuts to other areas of government spending will be needed to reach the 3% defence spending figure. They cannot be kicked down the road indefinitely. Growth, then is central not only to achieving the governments’ domestic ambitions but to continued international influence.

EU RELATIONS

Anand Menon

WHAT IS THE SITUATION NOW?

As we approach the tenth anniversary of the EU referendum it is conceivable that the UK's relationship with the EU is approaching something akin to a stable equilibrium. Relations have been warming since Boris Johnson left Downing Street, a process continued under Keir Starmer as the new government set about undertaking the 'reset' of relations with the EU it had promised in opposition. Yet the tension with the government's growth mission remains unresolved.

The reset has involved improving relations both with individual member states and with the EU itself. Several bilateral agreements have been signed with the former. A London summit with the latter in May 2025 saw the two sides agree an agenda for negotiations on enhanced security cooperation, the removal of constraints on trade in agricultural products (SPS), linking their respective emissions trading schemes (ETS), youth mobility and possible UK participation in the EU electricity market. Crucially, and unlike its predecessors, the Starmer government is willing to trade a degree of regulatory autonomy for greater market access.

There can be little doubt that the tone of the relationship has improved significantly. Nor that the current security situation, with war still raging in Ukraine, and President Trump undermining the reliability of the US security guarantee, has provided an incentive for closer cooperation.

While relations at the political level are arguably closer than they have been since before the referendum, public opinion also seems to have turned a corner. A recent [poll](#) for the Sunday Times revealed that fewer than one third of people would vote to leave the European Union if the referendum were held again now.

Yet such findings should be placed in context. 44% of voters [say](#) the question of EU membership is settled and should not be reopened. Over half [say](#) they have 'moved on' from the Brexit debate. In August 2024, only 2% of those [asked](#) considered Brexit the most important issue facing Britain. EU membership is not necessarily a debate the British people want to go through again.

WHAT IS THE STATE OF THE POLITICAL DEBATE?

Politics has been decisive in shaping policy towards the EU and continues to play a significant role. The red lines laid down by the Labour Party during the election campaign of 2024 – no rejoining the single market or customs union, and no return to freedom of movement – have become mantras for the party in power.

Yet even the steps undertaken to ‘reset’ the relationship sparked less backlash than might have been anticipated. Certainly, Kemi Badenoch and Nigel Farage promised to reverse what Starmer had agreed, but there was little in the way of sustained political attacks. Indeed, Farage chose to be on holiday when the outcome of the summit was debated in Parliament, indicating he felt there was limited political capital to be made from exploiting Starmer’s [‘Brexit betrayal’](#).

Perhaps more surprising has been the relative [quiescence](#) of the Liberal Democrats. While the most pro-EU of the national parties, potentially able to win over some Remainer backers frustrated with Labour’s caution, they have broadly welcomed the reset and adopted a more gradualist position on rebuilding links with the EU – albeit going slightly further than Labour in advocating for a UK-EU customs union.

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

The UK and EU face a crowded agenda in the autumn as the details of the various agreements mooted at the summit will need to be thrashed out. There is much more to do to actually deliver the SPS and ETS agreements and there are sure to be disagreements over the scope of regulatory alignment with the EU – will an SPS agreement, for instance, require alignment of rules covering gene editing?

As the government must pass primary legislation to allow for dynamic alignment (whereby the UK automatically mirrors changes in EU rules) on SPS, there is the real prospect of Reform UK and Conservative MPs loudly attacking this sacrifice of ‘sovereignty’. Meanwhile, British caution about the very idea of the kind of youth mobility scheme on which the EU has insisted (caution reflected in the adoption of the term ‘youth experience’) hints at difficult negotiations to come on matters such as numbers and duration of stay.

Equally, the two sides have agreed in principle that the UK will have some access to the EU’s [Security Action for Europe](#) (SAFE) fund, which provides long-term loans to states for investments in defence capabilities. However, the scale and scope of this has yet to be agreed either within the EU itself (where differences persist about the range of access to be granted to non-single market members) or between London and the EU (where the issue of UK payments is likely to generate significant disagreement).

Finally, and if economic growth really is its number one priority, the government will need to consider whether it wants to go further and faster in rebuilding the trading relationship. Labour’s manifesto spoke of [‘tearing down barriers to trade’](#) and Starmer has promised to improve Boris Johnson’s [‘botched’](#) Brexit deal.

Yet, on rough [estimates](#), an SPS deal could add 0.1% to UK GDP. The government's own [estimate](#) is that the reset as a whole could boost GDP by 0.3%. The OBR continues to insist that the cost of Brexit runs to 4% of GDP, and the original Treasury [forecast](#) suggested that leaving the single market would cause the majority of the negative economic impact, with the exit from the customs union another [major factor](#). Yet the single market and customs union remain government red lines. Its policy, in other words, is impacting negatively on growth.

Enter the EU's own red lines. While the UK government has expressed interest in considering dynamic alignment in other sectors, like chemicals and conformity assessments, to improve market access, Brussels has made it clear that it will not agree to endless 'cherry picking', whereby the UK gets to choose those areas of the single market in which it participates. Consequently, Starmer faces a choice of either crossing his own red lines or learning to live with a status quo which is significantly damaging to the UK's growth prospects.

POLITICAL VOLATILITY

Rob Ford

WHAT IS THE SITUATION NOW?

Election results and political conditions always weigh on policymaking, and the current conditions of extreme volatility may do so more than most. Many electoral records were set last July: the largest ever decline in a party's vote and loss of seats by one party (the Conservatives), the most seats changing hands, and the biggest ever votes for the Greens and for the populist radical right. More than four in ten of those who voted in both elections switched their support between 2019 and 2024 - the highest figure recorded. Over half the MPs now serving in the Commons are there for the first time (another record).

This reflects both exceptional political volatility - parties are rising and falling with greater speed than ever - and greater political fragmentation - more candidates standing for more parties in more places. Labour and the Conservatives won just 59% of votes cast in 2024 - the lowest combined share for over a century. With at least five names on the ballot in every seat for the first time, 2024 was the first ever five-plus party competition election in British history.

Volatility and fragmentation have magnified the influence of Britain's first past the post electoral system. It is disproportional by design - seats won have no necessary relationship to votes cast - but its impact has never been larger than in 2024. Labour won two thirds of the seats on little over a third of the vote, one of the most disproportional results ever. Huge numbers of votes were cast for parties who now have little or no representation, while many MPs were elected despite a large majority of their local voters backing someone else. With 2024 also featuring the second lowest ever turnout under the universal franchise, we now have a government which dominates the Commons despite winning the support of just one in five voters.

WHAT IS THE STATE OF THE POLITICAL DEBATE?

While Keir Starmer promised a politics which 'treads more lightly', since the general election the political roller coaster has lurched again, as Reform UK have surged into the lead. The party became the first not called Labour or Conservative to post polling leads over several months since regular opinion polling began in Britain in the 1940s, and the most successful third party ever in May's local elections.

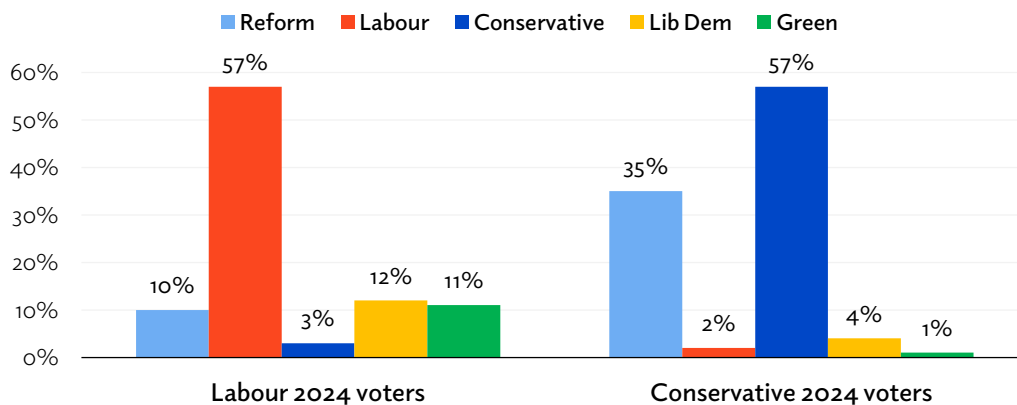
The party currently leads the polls with less than 30% of the vote, an unprecedented situation highlighting how fragmentation has continued to rise as the collapse in support for the traditional governing parties has accelerated. Six in every ten voters now back someone other than Labour or the Conservatives. While Labour are losing votes to the Liberal Democrats, the Greens and Reform, the Conservatives, still the official opposition, are haemorrhaging support to Reform, who threaten to displace them as the dominant party of the right.

The Conservatives are haemorrhaging support to Reform UK

Current party preferences of 2024 Labour and Conservative voters.

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Source: YouGov, Survey Results, 27th - 28th July 2025.

WHAT ARE THE IMMEDIATE AND LONG-TERM ISSUES THAT NEED TO BE CONFRONTED?

Labour's decline, one of the largest drops ever recorded by a new government, is generating tensions, not least because most Labour MPs have small majorities. But fragmentation means different Labour MPs face different local challenges. Recent efforts to respond to the challenge of Reform have brought complaints from MPs whose main local competition comes from the Greens and independents, complaints sure to intensify once former Labour leader Jeremy Corbyn launches his new left-populist party.

Starmer is fast discovering that a majority built on hundreds of marginal seats is a majority built on sand. If managing restive MPs is the main short-term issue, in the longer run, Labour must decide how best to frame and focus its messages and campaigning in an environment where it faces multiple challengers and a mercurial electorate. Problems are likely to recur and intensify on any reform which risks being divisive and unpopular, and there are plenty on the agenda. Labour's ambitious reforms to the planning system are likely to mobilise the kind of intense local opposition which sank more modest Conservative proposals in the last government. Reforms to immigration and citizenship risk angering

Labour's most liberal supporters without mollifying those tempted by Reform. And, looming largest of all, the dire fiscal situation is likely to force Labour to contemplate either substantial tax increases or further spending cuts, with either (or both) inflaming different parts of its restive coalition. Labour won power by promising change, but fragmentation and volatility make delivering change harder – reforms are divisive, and there are multiple competitors looking to capitalise on discontent wherever and whenever it arises.

Meanwhile, the Conservatives were wiped out in May's local elections, and have lost up to a third of their meagre 2024 vote to Reform in current polling. The risk of being marginalised at best, wiped out at worst, is encouraging Conservative MPs into more radical positions, which means giving up on winning back swing voters from Labour and the Liberal Democrats. The dire polling situation may also encourage yet another change in leader.

British political culture is built around a binary contest between government and opposition, yet the party leading in the polls is neither government nor opposition, and has very little representation in Parliament, while at least five parties are polling at 10% or above. Yet a political landscape that has dramatically changed several times in recent years could yet change again. Volatility and fragmentation are forcing those covering politics, like those participating in it, to operate in an environment of radical uncertainty. Figuring out how to convey that uncertainty and its implications is yet another challenge.

The current splintering of votes across five or more parties means anything from another majority Labour government to a Reform majority government is possible after the next general election, with a wide range of multi-party arrangements also conceivable. The course of policy after the next election is thus extremely hard to predict. Even if Labour are returned to office, many senior members of the current government, including Health Secretary Wes Streeting and Justice Secretary Shabana Mahmood represent very marginal seats which could fall at the next contest. Meanwhile, the electoral system's amplifying and distorting effects may come under ever more scrutiny, with growing calls for a voting system better able to accommodate and represent the political diversity now evident in the electorate.

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