



Queen's speech

New Government sets out legislative agenda

Briefing

December 2019

Following the Conservative victory in the General Election, Her Majesty the Queen gave her speech opening a new parliamentary session and setting out the Government's legislative agenda for the coming year (**Queen's Speech**).¹ The last Queen's Speech was held on 14 October 2019, shortly before Parliament was dissolved, which had announced 26 Bills covering a wide range of policy areas (**October Queen's Speech**).

The General Election, held on 12 December, saw the Conservatives win a substantial majority in the House of Commons with 365 seats (gained 47 seats, majority of 80), while Labour trailed on 203 seats, the Scottish National Party on 48, and the Liberal Democrats on 11. The new Government is therefore in a much stronger position politically to carry out its legislative agenda, and in particular, to deliver the UK's departure from the European Union (**EU**) (**Brexit**).

The objective to 'Get Brexit Done' formed a central part of the Conservatives' election campaign, in which they pledged to put the revised Withdrawal Agreement and Political Declaration (**deal**) through Parliament before Christmas and leave the EU in January. The new Government has acted on this pledge in the Queen's Speech by prioritising the introduction of a European Union (Withdrawal) Bill in order to obtain Parliamentary approval of the deal.

As expected, there is a degree of continuity with what the Queen had outlined in October. The Government has proposed many of the same Bills as in the October Queen's Speech, but has supplemented its previous agenda with policies from the Conservative manifesto. Beyond Brexit, the Government has prioritised policy areas including healthcare (funding of the National Health Service), immigration policy (introducing a points-based system), and investment in infrastructure and scientific research. Interestingly, in some areas the Government has proposed similar policies to those of Theresa May's Government, many of which had not been implemented due to the Conservatives governing with a minority in the House of Commons.

¹ Her Majesty the Queen, The Queen's Speech and Associated Background Briefing, on the Occasion of the Opening of Parliament on Monday 19 December 2019 (2019)

Brexit

The Queen announced that the Government's priority is to deliver Brexit by 31 January 2020, and to bring forward a European Union (Withdrawal) Bill to ensure the UK leaves with a deal on that date. The Bill will also provide for the implementation period as set out under the Withdrawal Agreement² to give businesses and citizens time to prepare before it ends on 31 December 2020, as well as begin implementation of the new Protocol on Ireland/Northern Ireland. It is expected that the Bill will pass with few obstacles now that the Government has a large majority in the House of Commons, given that a condition of Conservative candidacy in the election was to agree to support the revised deal. Opposition parties may nevertheless vote against the Bill and attempt to table amendments, although a Government defeat at this point is unlikely. Whilst the Queen's Speech contained no further details of the Government's plan to include a provision in the Bill ruling out any extension to the implementation period, the Bill does contain a provision prohibiting a minister from agreeing an extension to the implementation period.³

International trade

The Government's ambition after Brexit is for the UK to develop its own independent trade policy, as laid out in the revised Political Declaration setting out the framework for the future relationship between the EU and UK.⁴ The main aim of the Trade Bill is therefore to enable the UK to make the most of new opportunities that come from having an independent trade policy. The Bill would create powers so that the UK can transition to trade agreements to which it is currently a party through EU membership, in turn ensuring continuity for businesses. It would also establish a new independent UK body to protect UK businesses against unfair trade practices, and give them continued access to £1.3 trillion per year of procurement opportunities in 47 countries by implementing the Agreement on Government Procurement. The Trade Bill will also ensure that the Government has legal powers to gather and share trade information as evidence to support UK firms against surges in imports and unfair practices.

One of the Government's objectives is to enhance the UK's role in driving positive global change through trade. As such, the Government pledges to never compromise on the UK's high environmental protection as part of future trade negotiations.

² *Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community* (October 2019)

³ Section 33, *European Union (Withdrawal Agreement) Bill*

⁴ Revised text of the *Political Declaration* setting out the framework for the future relationship between the European Union and the United Kingdom as agreed at negotiators' level on 17 October 2019, to replace the one published in OJ C 661 of 19.2.2019

Financial institutions and corporations

The Financial Services Bill aims to ensure that the UK maintains its world-leading regulatory standards and remains open to international markets after Brexit. The Bill would simplify the process which allows overseas investment funds to be sold in the UK, implement the Basel standards to strengthen the regulation of global banks, and allow long-term market access to the UK financial services firms in Gibraltar. It is a longstanding criticism of the EU regulatory framework that there are significant barriers to the cross-border marketing of investment funds, both into the EU and among EU Member States, which the Government will seek to avoid in designing its own framework to ensure greater choice for UK investors. The UK's implementation of the Basel standards will be its first implementation of international banking standards outside of the EU, and may indicate how far the UK intends to diverge from EU financial regulation in future. The Government also highlights that the Bill will build on the extensive secondary legislation brought forward under the EU (Withdrawal) Act 2018 to ensure the effective operation of retained EU law, and thereby support the financial services sector. It will be interesting to see whether the Government brings forward legislation for UK implementation of "in-flight" EU financial services legislation which may not apply at the date of Brexit, in particular the Investment Firm Regulation and Directive (**IFR/IFD**), the revised Capital Requirements Regulation and Directive (**CRR II/CRD V**) and EU Sustainable Finance legislation.⁵ The Government also highlights steps it has taken to ensuring that the financial sector is supported to help meet its commitments on climate change, notably through the Green Finance Strategy. The Government had proposed the Financial Services Bill in the October Queen's Speech and has made no substantive revisions to the original proposal.

The Government plans to develop proposals on company audit and corporate reporting, including a stronger regulator with all the powers necessary to reform the sector, which will aim to improve public trust in business while also helping workers employed by a large company to know how resilient it is. The body responsible for overseeing company audit and corporate reporting sector, the Financial Reporting Council (**FRC**), was subject to an independent review in 2018 (**FRC Review**) following high profile corporate failures. The FRC Review identified significant shortcomings in the FRC's powers and recommended that the FRC be replaced with an independent statutory regulator called the Audit, Reporting and Governance Authority. The new regulator would be accountable to Parliament, with a new mandate, new clarity of mission, new leadership and new powers. The October Queen's Speech did not contain any proposals on the new regulator, which prompted John Kingman, who had led the FRC Review, to criticise the Government's decision to defer such an important issue.

It is unclear whether the Government intends to establish a new regulator or give new statutory powers to the FRC, or what such powers would entail. The FRC Review contained a comprehensive set of recommendations such as giving an independent regulator new powers to act on intelligence and identify problems aiming to prevent corporate failure, and bring enforcement actions against company directors for breaches of reporting obligations. Implementation of all these recommendations would represent a significant shift in how corporations and auditors are regulated and increase liability for company directors. It is understood that the finer details of the reforms are still being discussed in the Government and that the final structure has not yet been decided.

⁵ The Financial Services (Implementation of Legislation) Bill (2017-19) was introduced in the last Parliament to implement EU financial services legislation which has "pre-exit origins", but did not receive Royal Assent.

Transport and infrastructure

The Queen announced the Government's intention to prioritise investment in infrastructure, which had also been a significant focus of the Conservatives' election campaign. The National Infrastructure Strategy (**NIS**), due to be published alongside the first Budget, will set out plans to deliver a step change in infrastructure investment across the UK. In line with the Conservative manifesto pledge, the NIS will aim to 'unleash Britain's potential' by levelling up and connecting every part of the country. The Government will aim to share prosperity across all of the UK and address longstanding economic challenges through responsible and prudent investment in infrastructure. The NIS will also address the critical challenges posed by climate change and build on the UK's commitment to achieve net zero emissions by 2050.

The Government intends to publish a White Paper informed by the recommendations of the 'root and branch' review of the railways, led by Keith Williams (**Williams Review**). The Government plans to end the complicated franchising model to create a simpler, more effective system. There are also commitments to a number of major investments in the railway, including a Midlands Rail Hub, a Northern Powerhouse Rail, reopening a number of the lines and stations closed under the Beeching cuts in the 1960s, and significant upgrades to urban commuter and regional services outside London.

In respect of the High Speed 2 (**HS2**) project, the Government awaits the outcome of the review of the HS2 network led by Doug Oakervee (**Oakervee Review**). The Oakervee Review is assessing whether and how to proceed with HS2, including the benefits and impacts, affordability and efficiency, deliverability, and scope and phasing, including its relationship with Northern Powerhouse Rail. In their manifesto the Conservatives did not commit to completing HS2, criticising the project on the basis that it will cost £81 billion and not reach Leeds and Manchester. It is therefore uncertain whether the new Government will continue with the project. While Boris Johnson had expressed opposition to the project prior to becoming Prime Minister, he stated during the election campaign that HS2 is of 'great national importance'. The outcome of the Oakervee Review and how the projected future costs of HS2 fit within the Budget will be crucial to determining whether the Government completes the project. But it seems that the Government's preference is to complete HS2 if costs can be controlled, not least because it would benefit many constituencies that 'turned blue' at the last election.

In addition, the Government expects that the High Speed Rail (West Midlands – Crewe) Bill will be revived in this Parliament. The Bill was first introduced in Parliament in July 2017 by Theresa May's Government to enable Phase 2a of HS2, but did not receive Royal Assent before the dissolution of the previous Parliament.

National security and investment

The Government plans to introduce legislation on national security and investment (**NSI**) to strengthen its existing powers to scrutinise and intervene in business transactions to protect national security, while providing businesses and investors with the certainty and transparency they need to do business in the UK.

The NSI legislation follows on from the Government's White Paper, published in July 2018, which proposed to reform the Government's powers to protect national security from hostile actors using ownership of, or influence over, businesses and assets to harm the country.⁶ There has been a significant delay in the Government's response to the White Paper, which led to some speculation as to whether the focus on Brexit was responsible for the delay or whether it represented a cooling towards the proposals more generally. The announcement in the Queen's Speech shows continued commitment to NSI by Boris Johnson's Government, but it will be interesting to see how the detailed final proposals compare with those laid out in the White Paper.

The legislation will introduce a notification system, allowing businesses to flag transactions with potential security concerns to the Government for quick, efficient screening; powers to mitigate risks to national security by adding conditions to a transaction or blocking as a last resort plus sanctions for non-compliance; and a safeguarding mechanism for parties to appeal where necessary.

The October Queen's Speech contained the same Bill, and although the wording has been altered in part (such as adding an example of acquiring intellectual property rights rather than asset itself in order to circumvent the law), it remains consistent with the previous proposal.

Environment and climate change

The Government will demonstrate its commitment to protecting and improving the environment by introducing legislative measures for improving air and water quality, tackling plastic pollution and restoring natural habitats. The Government plans to introduce an Environment Bill (the first one in twenty years) to create an environmental governance framework for after Brexit, as well as banning the export of plastic waste to non-OECD countries, which had featured in the Conservative manifesto for the General Election. The Government will aim to transform domestic environmental governance based on environmental principles, and codify a comprehensive framework for legally binding targets. Significantly, the Government will establish a new Office for Environmental Protection to serve as an independent regulator to scrutinise environmental policy and law, investigate complaints and take enforcement action. The Conservatives had also pledged in their manifesto for the General Election to set up the Office for Environmental Protection, announcing that it would also be responsible for introducing legal targets including for air quality.

⁶ Department for Business, Energy and Industry Strategy, National Security and Investment: A consultation on proposed legislative reforms (*White Paper, Cm 9637, 2018*)

The Government plans to introduce measures to improve air quality by increasing local powers to address sources of air pollution, enabling local authorities to tackle emissions from burning coal and wood, and bring forward powers for the Government to mandate recalls of vehicles which do not meet relevant legal emission standards. In addition, the Government will aim to restore and enhance nature by implementing mandatory biodiversity protections into the planning system, and manage water sustainably through more effective legislation to secure long-term, resilient water and wastewater services. Although the Environment Bill was also proposed in the October Queen's Speech, the Government goes further by setting out its plan to enshrine environmental principles under statute.

The Government's first Budget will prioritise the environment and tackling climate change. It will help deliver the green infrastructure needed to improve lives and achieve the net zero emissions target (as set out under the Climate Change Act 2008), including by investing in carbon capture, offshore wind, nuclear energy, and electric vehicle infrastructure so that individuals are always within 30 miles of a chargepoint. The Government will also help lower energy bills by investing in the energy efficiency of homes, schools and hospitals. The £1 billion Ayrton Fund will be used to develop affordable clean energy for developing countries. The Conservatives had emphasised the need to tackle environmental issues in their manifesto for the General Election, which included several policies on areas such as renewable energy and electric vehicle adoption.

Science, space and research

The Government will place considerable emphasis on investment in world-leading science research and skills, aiming to make the UK a "global science superpower". To this end, the Government will set out plans to significantly boost public research and development (**R&D**) funding, helping to accelerate its ambition to reach 2.4% of GDP spent on R&D by 2027. A new approach will be developed to support emerging fields of research and technology, providing long term funding to support visionary 'high-risk, high-pay off' scientific, engineering, and technology ideas. The Government will aim to reduce unnecessary bureaucracy in the science funding system to help ensure that all UK investments have the greatest possible impact, by allowing scientists to spend as much time as possible creating new ideas. The Government will also prioritise investment in industries of the future, such as life sciences, clean energy, space, design, computing, robotics and artificial intelligence. In addition, the Government will establish a new National Space Council and launch a comprehensive UK Space Strategy to help the UK lead the way in this fast-growing, high-technology sector.

English devolution

The Government plans to increase powers and investment in regions across England to allow each part of the country to 'decide its own destiny' and transform the country with better infrastructure, education and technology. The Government will publish a White Paper setting out its strategy to unleash the potential of the regions, which will include plans for spending and local growth funding, and provide further information on its plans for full devolution across England. This will include levelling up powers and funding among Mayoral Combined Authorities, increasing the number of mayors and doing more devolution deals, aiming to create more local democratic responsibility and accountability. Devolution of powers and investment in regions was a core focus of the Conservatives' election campaign, as reflected in their intention to consult local leaders before deciding the optimal outcome for the HS2 project.

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