CARVIL
CARVIL VENTURES LIMITED

Strategy and Public Affairs for Real Estate

Theresa May's decision to call an early election backfired in the most spectacular fashion. The result – a hung parliament – has sent Sterling tumbling, thrown Brexit into chaos, delayed the Queen's Speech and placed the Prime Minister's tenure on life support.

The Result in Numbers

Turnout	**68.75%** – A 20-year high.
	650 MPs were elected last week.
	326 is the magic number for an absolute majority but in reality 322 MPs are needed for a working majority*
Tories	**won 318 seats** (net loss of 13), 42.4% of the vote
Labour	**won 262** (net gain of 30), 40% of the vote
SNP	**35** (net loss 21)
Lib Dems	**12** (net gain 4)
DUP	**10** (net gain 2)
***Sinn Féin**	**7** (they do not attend Westminster)
Other	**6** (*1 of which is the Speaker who does not vote)

Overall Economic Context

The Conservatives are the largest party with 318 MPs. While they do not have a majority on their own, they are the only party who have the numbers needed to form a government. The maths just do not work for Labour, regardless of how much combined support they might gather.

Theresa May has been asked by the Queen to form a government but she and her team must try and govern as a minority administration. This means either getting their legislative programme passed by consensus or by making a more formal arrangement with another party that has enough MPs to take them beyond that magic 325 figure.

This is what they are currently trying to negotiate with Northern Ireland's, ultra- Protestant, socially-conservative DUP. For a price, the DUP will offer a "confidence and supply" deal where their 10 MPs will support the Tories policy programme, as set out in the Queen's speech, plus the annual Budget. Which policies migrate from the Tory manifesto into the Queen's speech is moot. David Davis yesterday acknowledged that pre-election commitments would have to be "pruned", while Brexiteer Michael Gove, back in government, is now talking about gaining a "consensus on Brexit".

If a deal is agreed, even though it will be less formal than the 2010 coalition with the Lib Dems, it will be controversial:

• any deal with the DUP may have implications for the Northern Ireland peace process

• the DUP has socially conservative views on a range of issues which don't sit well with many Tories

• the DUP are very tough negotiators and will extract a high price from for their support

• any deal may be short-lived – the majority it provides will be very small & every Tory backbencher will have huge power

• the experience of the 1970s suggests that informal UK coalitions are inherently unstable

What went so wrong for the Tories / so right for Labour?

At the start of the 7-week campaign, the Tories lead Labour by 22 points in the polls. The county council elections were a success for the Conservatives and Theresa May looked unassailable both within her party and across large swathes of the country.

In contrast, Jeremy Corbyn was a figure of ridicule for most of the press. He was despised by 2/3 of his parliamentary party who viewed him as unelectable to all but Momentum diehards.

Gaffes

The first half of the campaign saw little to challenge this view. Both Corbyn and Labour Shadow Home Secretary Diane Abbot, committed notable gaffes, failing to answer basic questions about the cost of key Labour policies. The right-wing media was relentless in its attacks and though Mrs May was uninspiring on the campaign trail, the polls held.

But then things began to shift.

Dementia Tax

The Conservative manifesto proved wildly unpopular with both its core audience and with the MPs who had to defend it on the doorsteps – the dementia tax was its nadir. The main author of the manifesto, Nick Timothy, along with his colleague and fellow Theresa May advisor, Fiona Hill, both resigned in the wake of the election. This was said to be a key demand of Tory MPs who considered them to be a toxic influence on the PM.

In contrast, the Labour manifesto was stocked with expensive but attractive policies.

The IFS analysis showed that neither party's promises were credibly funded but somehow the voters didn't seem to care.

The "Maybot"

Fatally, the more the public saw of Theresa May the less they liked her. She was wooden on the airwaves and the "Maybot" was borne. As she herself was the centrepiece of a presidential style campaign, this was problematic. Compounding this, Jeremy Corbyn turned out to be a rather natural TV performer.

In the final weeks of the campaign, while the polls narrowed, the Tories still showed a healthy lead. Even after two terror attacks brought Mrs May's record as Home Secretary into the equation and on the eve of poll, Conservative central office was still confidently expecting a 60-seat majority.

Youth Vote

It seemed as though all that could save Labour from a stinging defeat was a high turnout from young voters and every pundit knows that younger voters don't turn out to vote.

Except this time, they did. Jeremy Corbyn, with his 1970s style rallies and his old socialist policies of nationalisation and free tuition, managed to enthuse and invigorate the 18-24 year old voters. He was, to voters under 40, "a clean skin". Untainted by Iraq, authentic, promising change.

In the general election of 2015 the youth turnout was 44%. On June 8th 2017, estimates put it at 66.4%. To take one example, the first ever win for Labour in the Canterbury parliamentary seat bear this out; photographs of students queuing outside polling stations were widely shared around Kent Twitter accounts during election day.

UKIP

The expected UKIP wipe-out happened. But despite the dog-whistle immigration policies, designed to draw UKIP votes to the Tories, in many constituencies only about half of former UKIP voters actually switched to the Conservatives. A great many went back home to Labour, attracted by their manifesto offerings.

Social Media

With electoral law yet to catch up with online campaigning, social media remains a largely ungoverned space for political parties to operate in. At the 2015 general election, the Tories spent £1.5 million on Facebook advertising. In response, Labour were planning to spend £1 million this time around.

While the final spend figures are not yet in, we do know that both main parties targeted tailored messages at social media users in marginal seats. Some single adds were viewed many millions of times.

Perhaps tellingly, according to research by Enders Analysis, the bulk of shared news and opinions on social platforms tended to be pro-Labour.

The Polls

This is the fourth, major UK election in a row that major pollsters have gotten wrong. The General Elections of 2010, 2015, the EU referendum of 2016 and now this one, have all seen polling companies *and* the political parties, fail to accurately predict which voters will turn out and how they will behave when they get into the voting booth.

During this campaign only YouGov, came closest to getting it right. Their daily polling model *did* predict a hung parliament but they were so widely ridiculed for it that they seemed to get cold feet, weighting the findings in their very final poll - published in the Times – and concluding that the Tories had a 7% lead.

The exit poll jointly commissioned by BBC/ITV/SKY did prove to be largely accurate. It was based on real voters replicating their votes immediately they came out of polling stations in 133 strategically chosen locations, around the UK.

The lesson must be that for the foreseeable future the only accurate UK polls are exit polls.

London

The Tories did badly in London, losing to Labour in Battersea and in Croydon Central where Housing Minister Gavin Barwell was beaten. (Barwell has however been appointed Chief of Staff at no. 10). They also lost seats to returning Lib Dem heavyweights Sir Vince Cable and Sir Ed Davey in Twickenham and Kingston respectively.

Most notably, the Tories lost Kensington to Labour, by 20 votes and after three recounts.

In Bermondsey and Old Southwark, Neil Coyle saw off the Lib Dem challenge from former MP Sir Simon Hughes. Coyle more than doubled his majority, to 12,972. This will energise Labour heading into the 2018 local elections. Though it is worth noting that Neil Coyle has certainly not been a Corbyn supporter. Indeed in the run up to the election he lodged a formal complaint against the Labour leader's office with the party Whips.

Over in Vauxhall, maverick Labour MP Kate Hoey also cemented her position. Despite being a renowned Brexiteer in a strong remain constituency, she saw off her nearest (Lib Dem challenger) with a majority of 20,250.

Another Election Looming?

The well-worn Hollywood maxim about predicting box office hits,"nobody knows anything" has become true of British politics.

While many pundits are predicting that the alliance with the DUP is unlikely to last and that there will be another general election before Christmas, it is conceivable that it could last for far longer.

That said, it is difficult to see it running anywhere close to the full 5 year term. May is now extremely unpopular. Brexit negotiations will be harder than ever and with the economy slowing (1st quarter growth was down by 0.2%) and further austerity politically unpalatable, we could be in for financially tricky times.

The Conservatives are ruthless when it comes to dispatching losing leaders. Theresa May – gleefully described by George Osborne as "a dead woman walking", is still there largely because there is no good alternative and because the party is desperate to avoid the hiatus a leadership election would cause.

Meanwhile, Jeremy Corbyn has a distinct spring in his step. Despite not actually winning the election, he has so trounced expectations that his position within his own party is currently unassailable. The latest poll now puts Labour 5 points ahead of the Tories.

There's a certain irony that just at the point that the UK is poised to leave the EU, our politics of volatile electorates, coalitions and minority administration, have never seemed more *European*.

This is the state of play the week after a tumultuous general election. These days a week really is a very long time in politics. Things could look very different indeed in a month's time.