HOUSE OF COMMONS

Communities, Local Government Committee

Oral evidence: Brexit and local government, HC 493

Wednesday 6 Dec 2017

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Watch the meeting

Members present: Mr Clive Betts (Chair); Mike Amesbury; Bob Blackman; Helen Hayes; Kevin Hollinrake; Andrew Lewer; Fiona Onasanya; Liz Twist.

Questions 1-51

Witnesses

I: Professor Laurence Ferry, Durham University, Professor Amelia Hadfield, Director, Centre for European Studies, Canterbury Christ Church University, Professor Tony Travers, Director, Institute of Public Affairs, London School of Economics, and Rob Whiteman, Chief Executive, Chartered Institute of Public Finance and Accountancy.

II: Councillor Kevin Bentley, Brexit Task and Finish Group, Local Government Association, Helen Dickinson, Assistant Chief Executive, Newcastle City Council, and Jessie Hamshar, Service Director (Strategy and Engagement), Cornwall County Council.

Examination of witnesses

Witnesses: Professor Laurence Ferry, Professor Amelia Hadfield, Professor Tony Travers, and Rob Whiteman.

Q1 **Chair:** Good morning and thank you for coming to our first evidence session on Brexit and local government. It seems that everyone is talking about Brexit these days, including this Committee now. We have finally got round to it. Before I pass over to you, I ask members of the Committee to put on record any particular interests they may have that are relevant to this inquiry. I am a vice-president of the Local Government Association.

Bob Blackman: As am I.

Liz Twist: I am a member of Gateshead Borough Council.

Kevin Hollinrake: I employ a councillor in my office.

Q2 **Chair:** I know that Helen Hayes, who will be joining us, also employs a councillor. That is our interests on the record. Could the witnesses tell us who they are and the organisations they are representing this morning?

Professor Ferry: I am Laurence Ferry, and I am a professor at Durham University.

Professor Hadfield: I am Amelia Hadfield. I am a professor of European and international relations at Canterbury Christ Church University.

Professor Travers: I am Tony Travers, from the London School of Economics.

Rob Whiteman: I am Rob Whiteman, from CIPFA.

Q3 **Chair:** Thank you for joining us. I suppose we will begin with the money, because it is quite important for local government these days. The Government have announced something they call the UK shared prosperity fund to replace EU structural funding. Do you think that is an adequate response? What do you think the effect will be generally of local authorities losing access to the EU funding they have enjoyed for a number of years?

Professor Hadfield: Obviously EU funding has been absolutely critical to local areas and local authorities in particular. It is the means by which they are able to deliver an enormous amount of services that, without it, they probably would not have been able to afford. More than the finance is the type of funding. We have to bear in mind, when we are talking about replacing it, that it is inherently collaborative. There is a great deal to be said for replacements thinking in terms of project partnerships—not necessarily replicating exactly what we have had before, but the added value quality that EU funding at this point has a very good reputation for. My suggestion at this point in terms of trying to replicate both the structural funds, which are domestically placed within the LEP boundaries, and the regional funds is to look at the value added—what do they specifically bring? What is the place-based value added in the short term but very much more in the long term? These are things that run for five or sometimes even seven years at a time, so this is a generational impact.

Professor Travers: I agree with what Amelia has said. The complex question is knowing how whatever follows will operate—it is all hypothetical—in the real world of UK public finance. A new fund may be set up, and will be set up according to the Government, but the question is, how would it operate? Would it replicate what was done before? How would it differ from all other forms of UK Government funding to sub-national areas? That is the question. In a sense, it would simply create a new pot of money, but of course we would never know what would have been spent anyway on the same issues. It will simply transfer some decision-making power from one place to another, but from that point on, the dial will be reset and decisions about what money is spent where and what the priorities are will be made in London—maybe in central Government; it may be made some other way. The question is, how will it work in the medium to long term? It is very hard to know that at this point.

Q4 **Chair:** So you are saying that it could be used as a mechanism simply for Government to say, "Well, we would have done that anyway. We'll now call it part of the shared prosperity fund." It is not really replacing EU structural funds; it is replacing something Government would have done anyway themselves.

Professor Travers: As this Committee and other Committees in the House know, it is always impossible to work out whether something is additional, because you cannot tell what happens to analogous streams and whether they are bigger or smaller than the new stream might be. Proving additionality in UK Government finance, as we all know, is virtually impossible.

Rob Whiteman: The shared prosperity fund seems an appropriate first response. It is very early days. I do not think we should look upon transition to new arrangements as a two-year issue before we leave the EU. This is probably an issue you will think about for the next decade, because the Government will make some transitional arrangements and probably keep the type of systems we have had in place upon transition. But then—I agree with what my two colleagues have said—the Government will have to take a more fundamental look at the way the funds are distributed. Bearing in mind the significance of EU funding to public services over the six-year period from 2014 to 2020—the present planning cycle—public services are probably receiving over £20 billion of EU support through different funds. A lot of that will be channelled through local government or through LEPs, but even the resources that are not channelled formally through local government or LEPs have huge local impact, and that just cannot be bolted on to the existing arrangements.

Over time, the Government will have to think about how we want to distribute money. The EU structural funds have traditionally been allocated by comparing GDP; the Government will probably want to look at some sort of regional needs analysis. If it is doing that, it may have to look at other funds being distributed and at how it would square with Barnett, for example, which is distributed on a population basis. A new system of regional funding within the UK is quite a big deal and will not be put in place for Brexit day itself. I imagine the Government will have to look hard at that.

I echo Tony's point that hopefully we will see something more transparent. On the whole, most policy makers, politicians and Ministers would probably argue that we need some needs-based, outcome-based funding which can be seen to have impact. The Government should take the opportunity to improve on the present arrangements, under which you cannot always tell whether funding has had an impact, where it has gone or if it is being double-counted. I imagine that this is an issue that you will look at for quite a while.

Professor Ferry: I would probably make four points, some of which have already been made. First, you have to look at this in the context of all the other funding. One of the difficulties for local government is what will happen to non-domestic rates. They cannot really do much with council tax, so it is kind of separated off. Then there is capital funding for investment: they are putting it in property investments and taking different risks there to generate income. Anything coming from the EU has to be looked at from that broader perspective. They have been trying to change local government funding for decades—you could go back to the Layfield committee and what it tried to do.

Chair: We have limited time this morning, so perhaps not.

Professor Ferry: Yes. So the funding context is the first difficulty, and the second is the transitional arrangements, which probably have to exist until about 2020 to give some breathing space. The third thing is that you should really consider how to allocate this funding based on outcome and need in different regions, with something around place-based accountability. Finally, one way to do it might be to introduce it as part of the prudential capital framework and extend that. I think the current arrangements for EU funding last for seven years, and then you get an extra two years to claim money back and do the administration. I think it has to take into account those different points.

Q5 **Chair:** Thank you. Coming on to capital, one issue that has been raised is about access to EIB loans. How important is it that that access continues in a similar form?

Rob Whiteman: I imagine that that will be one of the key issues for negotiation. We have a 16% share of those funds, and the rules have never really been designed for somebody to leave. I imagine that how that will work in the future and how access is still maintained are key points for negotiation. I think it is probably very important for local areas that those funds are still available.

Professor Hadfield: I agree. The UK Government has a 16% shareholding. To break that down, between 2011 and 2015, the bank invested more than €29 billion in the British economy—€7.8 billion in 2015 alone. That is a tremendous amount of engagement spread across Britain. It boosts large-scale infrastructure, which has a very profound impact at the regional level and even more so at the local level. Examples of projects include the Channel tunnel, the second Severn crossing, the Jubilee line extension on the London Underground network, the Heathrow express, which I am sure we have all enjoyed, and the fast rail links between London and Dover.

I think there is something to be said for looking very strategically within the negotiations at retaining membership of the EIB, or at least a facilitative relationship with it. Some 11% of EIB funding is spent outside the European Union, in places like Norway, in candidate countries such as Montenegro, Serbia and Turkey, and even further afield, in Africa, the Caribbean and the Pacific as well. However, the mandates for spending beyond the European Union have to support, unsurprisingly, EU development and co-operation policies. Having said that, I think they are quite nicely aligned, at least at this point, with British development and co-operation policies, but I think there would have to be a clear agreement that remaining within or having access to EIB funding is clearly going to be reciprocal.

Professor Travers: With any funding stream, there is always a choice between buying back into the existing EU arrangements, which is a possibility and is all up for negotiation as we speak, and separately, not buying into them, but the UK Government then making a decision about whether they replicate them in some way or create some new mechanism or don't. There is a sort of decision tree here every time.

The other thing to say is that, as the list of projects Amelia has just listed suggests, they impact a significant amount in some places, but irregularly, in many cases. That is true of all these programmes. They are big investments in some places; more in some parts of the UK than others. I would add that—I do not want to broaden what your inquiry is about—in a sense, decisions about the common agricultural policy will also play into all of this, because a particular kind of future for agricultural subsidies could tie into the discussion we are having, but it might not.

In a sense, there are moving parts with all of this, and a series of first-order decisions then lead to a need to think further about how, if this is what public policy wants to do, we can see how the continuity occurs, if it is decided that there needs to be continuity.

Q6 **Kevin Hollinrake:** On both the structural funds and the EIB, are there also, as well as the risks, opportunities here to better set domestic priorities and perhaps spend the money more efficiently or distribute it more fairly? Amelia Hadfield, you mentioned a number of projects, and I think all bar one were London-based, for example. Are there opportunities here as well?

Professor Hadfield: The EIB have invested in Kent, just to give you a local snapshot; you would expect me to say that, but let me say it anyway.

Q7 **Kevin Hollinrake:** And Yorkshire?

Professor Hadfield: Yes. EIB have invested in the port of Dover redesign on the western docks and another university closely connected to Kent—the University of Kent, I think it is called. I would like to refer the Committee to some of the perspectives of the LGA, which has come up with a table depicting three scenarios for how to remake EU regional aid. I am sure you can have a look at it. One is for simply no change, but the other two are innovative and fully integrated. Both of those are re-crafting and, I think, taking the opportunity theme that you looked at.

As Tony said, the main thing is whether you want to replace it completely—a full, root-and-branch re-scaling, if you like—or you want to stick to the same system because it ultimately does the same things. In terms of replacing or reworking funding, and also on EIB access, the main thing is just less bureaucracy, particularly with the first one. I certainly know from my own experience that the EU funds are quite cumbersome and take time to access.

Q8 **Kevin Hollinrake:** So you think it is likely to be less bureaucratic if it was domestic rather than pan-European?

Professor Hadfield: You are more likely to get it more speedily done and have it more locally focused if you devolve this to local government. If local authorities can make place-specific decisions that tie into particular themes in the area, such as the local labour market—local authorities deciding on genuinely local needs—I think that is the key opportunity here.

Q9 **Liz Twist:** Turning to the workforce, if restrictions were placed on the employment rights of EU citizens, what impact would that have on local government?

Professor Ferry: That would be different in different parts of the country. For social care, the figure that is bandied around is that 7% of the workforce is from the EU. However, if you think about it, the vast majority of people will not leave the UK; I guess they will stay here and live most of their lives in the UK. That is the first thing.

Also, it affects different parts of the country differently. In the north-east just 2% of people from an EU background work in social care; in London it is well over 10%, so that is another thing to take into account. Maybe this is also an opportunity to look at how we could do social care and ageing very differently, given the associated cost. We could look at artificial intelligence and robotics as an alternative way of dealing with these issues going forward.

I also think that there is another important area. If we are going to have a huge housing programme, where are all the construction skills coming from?

Professor Travers: Again, there is the issue of the future of migration policy as it affects the European Union, and there is the second issue, which is separate but clearly related, of the broader Government policy of reducing migration. As Laurence has said, some sectors within local government—often ones at arm's length, actually—depend upon migrant workers. For example, in some parts of the country social care is very heavily dependent upon migrant workers, although I believe rather fewer from the EU than from the rest of the world, as it happens. Construction is not something that local government does directly any longer, but indirectly we are told there has to be a significantly increased amount of housebuilding.

The issue is what kind of migration policy will be styled? Will it replicate the existing non-EU one, which actually brings in the same number of people to the UK as the current number coming from the EU, or will it be something different? I think it is also true that within public administration itself, be it local or national Government, and I am sure this is true for the devolved Administrations, a relatively small proportion of their workforce are migrants. It is relatively smaller than it is for other sectors such as social care or the private sector—leisure, hotels and so on.

Rob Whiteman: Local government overall, for the country as a whole, does not have a disproportionately high number of EU workers. In fact, it is lower than the national average: about 5% of the local government workforce is from the EU, compared with about 7% in the economy. There are huge regional differences on that, and then there are sector-specific issues. The figures for the NHS—the whole health and care system—is that there were about 150,000 EU workers, of whom roughly 100,000 are in social care and working on, or pretty close to, the minimum wage.

For local authorities in many parts of the country, the first concern is probably around social care. Assuming that EU citizens are guaranteed rights to remain here, it may not be an immediate issue; but there is the issue of churn, and where the new workforce will come from. Bearing in mind that there are more EU workers working in the economy than the rate of unemployment, the gap will have to be filled by increasing productivity, as Laurence said, and thinking about new ways of delivering services.

I chair an STP—one of the London sustainability and transformation plan areas—in my spare time, and that is a big concern for us. We are a London-based STP, and we have many EU workers. It is not an immediate concern, but it is about how we get new people to come into the system.

My final point would be that a lot of Government policy on migration over the last decade has been to encourage the brightest and the best and high skills into the economy. You will know, Chair, that I used to be the chief executive of the Border Agency a number of years ago; I still carry the scars. Much policy has been designed to not encourage low skills or minimum wage type jobs in the economy, and how will that work? For the foreseeable future, local government will still rely on EU workers to carry out its social care functions and it will have concerns about churn. As people may go home, will it be as easy to replace those people in the workforce while we find new ways of working?

Professor Travers: I am embarrassed to say that I have not had a chance to look at this report in detail yet, but the IPPR has published a piece of research within the last few days that suggests that the reduction that the Office for National Statistics has reported in EU migration is differential regionally. That is another issue. It has fallen much less in London and the south-east, I think, than in the rest of the country.

That said, and other things being equal, if there were a radical reduction in migration, whether EU or overall, the parts of the country that depend most on EU migration would have to put up wages. That in turn would move people from the rest of the UK to the places that put up wages. These are all marginal effects; it is hard to predict them precisely. Productivity, of course, could replace the need to do that, but I do not think it would do that in social care. There are lots of spheres of the economy where it is hard to imagine artificial intelligence and robotics—to take current, fashionable issues—replacing people. It is a very complex interplay of different issues.

Professor Hadfield: I think the people issue is crucial. Again, if I may speak for Kent and the south-east more broadly, healthcare continues to be a tremendous worry. The figure is certainly higher than 7% or even 9% in some areas. The recruitment of nurses, which has made the press, is key, but the stand-out one is agriculture, and specifically in Kent, soft fruit pickers. That there is no foreseeable replacement at this point for what used to be known as the seasonal agricultural workers scheme is of profound worry to agricultural stakeholders across Kent.

We have probably seen our first, and possibly even our second, season where there has been a tremendous contraction, and I think it is directly connected to uncertainty about the ability to bring in agricultural workers—the seasonal method by which to do so. The growing seasons are much longer than they used to be. We are not talking just June or July; we are really talking March to October. That is a complete transformation in terms of the local economy and the local labour force.

Again, I would just like to point out that local government is a major employer as well, so any shifts to employment and to migration must include local government.

Q10 **Helen Hayes:** The discussion has focused on the comparatively small numbers of EU nationals working in sectors such as social care and so on. These are, however, shortage professions; there are not enough people working in social care. Could you comment on even the marginal impact that a reduction in the number of people coming to work in a shortage profession would have?

Also, the issue of robotics and so on has been mentioned. There is a very live debate at the moment about the role of new technology in social care, but is a shortage of people working in the sector the right basis for that policy discussion to take place? There is obviously a whole debate about values, about what the functional tasks where technology can help are and about the relational issues in communities: the way we want people to be looked after, the issue about loneliness and interaction with human beings and so on. Could we have a couple of minutes to hear a little more on that?

Chair: One minute rather than two!

Professor Travers: The word "disruption" is pejorative; I do not mean it to be pejorative. This is a disruptive change, but I do not mean it as a pejorative term. It is a change, and that will induce knock-on effects throughout the economy, including the public sector. And of course this happens, coincidentally, to come at exactly the same time as these changes in the wider potential workforce occur, which have nothing to do with the EU at all; it is just a change. But the two will undoubtedly operate in parallel and, as ever, each will be viewed against the background of the other and possibly blamed on the other. If there is a radical move towards greater productivity, and that means fewer people working, it will undoubtedly be viewed as a consequence of Brexit even if it isn't, or it might be if it is not spelled out.

The other thing I would say is that against the backdrop of existing fixed local government and, indeed, NHS and other public service budgets, if pay has to go up, that will simply mean a reduction in the volume of service, unless there is an increase in productivity.

Q11 **Liz Twist:** I want to pick up on the social care issue. The social care market, it seems to me, is quite fragile in many areas, especially the contracted-out bit. Do you see this as having a direct influence on the fragility of the social care market?

Professor Travers: There was an excellent report from the Competition and Markets Authority last week on the state of the social care market, where costs have been driven very low by the contracting system that local authorities have been required to use. You have to say that, against that backdrop, any further change will have a magnified effect.

Rob Whiteman: Notwithstanding Brexit—if Brexit were not happening—there are significant risks in the social care system at the moment. There are still further savings to be made in councils' medium-term financial strategies over the next couple of years and, as you say, the market is already very fragile; there are wage pressures coming through that will probably not be funded.

To pull both those questions together, of course any change brought on by having difficulty getting access to new workers could have an amplified effect in so fragile a market where in real terms local authorities are spending less money on adult care than they did and it is already quite a precarious position. At some point, a funding solution for social care outside what happens with Brexit is needed—there is no long-term plan for how social care is funded.

Business rates retention—business rates are a property tax that may be affected by the economic cycle in terms of yield and the ability of businesses to pay that tax—is not a great way to fund a social care system, which does not change by the economic cycle, into the medium term. I would argue that the local government funding system will not work for social care in the medium term, even with business rates retention, and Brexit may bring some of those pressures to the fore.

Q12 **Mike Amesbury:** To explore that a bit further, Rob, how do you think social care should be funded? You mentioned local government, but obviously that is increasingly difficult. The supply of labour is reduced and we have spoken about wage pressures. How do you suggest it will be funded?

Rob Whiteman: There are two issues. Either local government has access to a wider range of funds so a regional devolution arrangement post-Brexit means that local authorities are reliant not only on council tax and business rates but on VAT, and going back to Layfield, which somebody mentioned earlier—how wonderful—that that local authority is funded by more plural means and other forms of taxation, or the Government will have to place the burden on to the public through some sort of insurance scheme. They will have to do one or the other: either local government will continue to fund social care, in which case it will need access to a wider range of taxes, or in some form we will have to pay for that through self-insurance. At the moment, social care is not funded into the medium term. That is the point I would make. The system will fall over and pressures will make that worse.

Q13 **Liz Twist:** How should we address the skills gap post-Brexit?

Professor Ferry: Local government might be in a decent enough place at a leadership level, because they have had to deal with quite a few years of austerity now, so they have got used to leadership and change management to deal with different scenarios. That could be one thing. In terms of the skills gap, it is maybe more structural than a skills gap, in terms of who might deliver certain things—should that be the LEPs, combined authorities or local authorities? I think that might be more the issue than the skills gap at the leadership level.

Professor Hadfield: I agree. I think local government have had a good amount of experience, not least because of the way in which they receive and distribute EU funding. If you look at things like the European Social Fund and the Youth Employment Initiative, which support jobs and aim to create fair opportunities, those are the mechanisms for addressing the skills gap. Looking at the current mechanisms and the way in which they already facilitate a slimming, if you like, of the skills gap—that is going to widen—local government will probably be the right area. They certainly have the wherewithal and the expertise, having dealt with those large programmes that effectively work towards that goal.

Professor Travers: As Rob said earlier on, the UK is quite close to full employment, so the question of who can be brought into the labour market will be people who have been very hard to bring into employment over many years, if not a generation, frankly, or people who are not in the labour market. That could be older workers, those who are long-term sick; whatever it is, they could all be brought into the labour market.

To do that would require some kind of policy or strategy that did what Government—at the risk of attacking all the politicians in the room—over many decades have not done: have a policy for post-school, non-university education that, over the long term, addressed an issue, which Governments since the 1950s have sought to address, but in a once-and-for-all way that radically alters the esteem and capacity of that part of the education system.

Rob Whiteman: Some form of devolution in a post-Brexit settlement of policy options, as well as funding, would be very welcome by local areas. How can we help people from the age of 14 onwards to prepare for work and vocational training? Many experts on our education system would say that we lack a local or regional dynamic that works with employers and talks about the skills you need in the workforce.

We have a very school-based system, which suits an academic route through to university and beyond, but compared to some other countries, we do not have this real local and regional focus on the narrative or the local economic plan, and the ability to help people from 14 onwards into those skills for which there will be work. More than any other area of policy, devolution of skills could make a huge difference to our productivity and assist the economy.

Professor Travers: I strongly agree with that.

Q14 **Fiona Onasanya:** In the context of local government, which areas of EU law do you think should be retained or amended after Brexit?

Professor Hadfield: The main principle that seems to be at work, based on a lot of the evidence that has been submitted and more broadly, is the subsidiarity principle—if I can start with the basic mechanism. That is clearly going to shift now. The original understanding of subsidiarity was, European where necessary and national where possible—legislating at the most appropriate level. Now we are going to be looking at national where necessary and local where possible. The idea is to try and find out how practical that is in terms of a genuine redistribution not just of authority, but of the body of law, and how much of that will need to be kept, how much amended and how much jettisoned, as well.

My colleagues will probably talk quite a bit about competition state aid, and chiefly about procurement, but local authorities have to consider the idea of completely overhauling procurement for the purchasing of goods and services and shifting everything—from the types of contracts to working time and the need to advertise—probably in favour of more regional and local services from local suppliers, operating on a local scale generally, and enhancing accountability and transparency. That would be my first take on that.

Professor Ferry: It is interesting that 70% of legislation affecting local government actually sprouts from Brussels; I think that was in Professor Travers's report in 2016. That is a huge amount. I think local government would probably say that Brussels works more collaboratively than they think Westminster might. You could have various areas that have been highlighted: waste, energy efficiency, trading standards, air quality, food hygiene, etc. There are lots of areas that could be devolved. One worry is whether there will be more focus on the economic side rather than the social and environmental moving forward, to drive out efficiencies in productivity, if you like.

The other key areas that could be highlighted are around procurement. People say that there could be a lot of savings there; I think the savings might be on the bureaucracy side. Very few contracts actually let to firms from Europe; I think it is about 2%, which is relatively small—by the way, that is the same in Europe for British firms—so maybe saving could be made in cutting the red tape and the bureaucracy. I did read around this, because even if we stay aligned—or whatever word you want to use—to the EU, seeing that within existing regulations we can change things, maybe that is something we should look at. That is another thing. The other areas would be regional funding and state aid—what should happen on those moving forward around the legislation.

Q15 **Fiona Onasanya:** With that mind, what are the opportunities and risks in—because you talked about devolution—devolving powers to local government post-Brexit?

Rob Whiteman: The opportunities were probably set out already, in that there can be a better way of distributing resources maybe than we have had; things that are less clunky, more based on need and more able to have impact locally.

Some of the risks that Government will want to consider include procurement, for example, which my colleagues were just speaking about. I do not know what the Brexit settlement will be on these issues, bearing in mind the couple of days at the moment, whether we are in the EEA, EFTA or what will happen.

One scenario is that we keep those procurement rules for a while, because of the nature of the access that we have to the single market. On the other hand, we may be able to change those procurement rules radically. Things such as state aid and other things could be considered.

For Government, the worry would be whether that adds to the economy or might there be some sort of dog fight between areas where they subsidise through state aid and procurement. That is not adding value to the economy as a whole but is using tax resources. I think those are the traditional concerns of Treasury, and we end up with a very centralised system that does not actually distribute resources that well at times.

We will have to have a debate about those risks, because they are undoubtedly there. We have a very centralised system but we always see devolution as a risk. Whereas, the real risk for England and Wales is centralisation, or even more of it, post-Brexit. We will really have to have a discussion on what those risks are.

Professor Travers: I completely agree. There is a challenge here. Inevitably, the negotiations about Britain's future relationship with the EU and the world and also the Bill taking all EU legislation into UK legislation are highly centralised. Only the UK Government can do them. The prime act of the UK as a unitary state: only the Prime Minister and a few Ministers in the end can handle this. I know that is being discussed in the Commons at the moment.

Obviously, the Commons and the Lords have a role in deciding exactly how that turns out. Initially, it is a very centralised process and there is a risk, as Rob said, that that will leave us with a long-term shift of power from Brussels to London, and that's it. That is not, I suspect, an optimal outcome.

Some of the other Bills that will come forward, such as the Immigration Bill, which by implication we have been discussing, and the Agriculture Bill: those could be much more locally sensitive and they will have to be sub-nationally sensitive to Scotland, Wales and Northern Ireland, I suspect. The question of how they work in England sub-nationally could itself be complex.

There is a very interesting sphere of law-making here. Once the main body of law is returned to the UK, to Parliament and British law, the question would then be: how much of this needs to be operated centrally, or how much could be devolved to English sub-national areas various and Scotland, Wales and Northern Ireland?

Q16 **Fiona Onasanya:** What do you think the post-Brexit future looks like with regard to devolution for England in that context?

Professor Travers: Initially, it will not change at all. The question is: can the same change, the same process of change, be used to galvanise further thinking about making England within the UK a less centralised place, and to use the change and disruption—again I use that word neutrally—as an opportunity to make a big change in the way that England within the UK is governed?

Professor Hadfield: If you are effectively looking at developing a new legal base and bringing local government more centrally into that, the concern for local government is that the power will effectively be taken from the European Union—which is in itself something of a question—and just transplanted root and branch into London, skipping over the entire map of England underneath.

Just a reminder that local authorities have had a formal advisory role in developing law and EU legislation in the Committee of the Regions since 1993. That provides them with formal recognition as regional and local actors, and their statutory right of consultation on law proposed in areas that affect them. They are now going to be absent of that.

There is some suggestion that, I suppose, devolution might have to provide regions or local authorities with reform. I think I have seen one piece of evidence that suggests that would be a cross-House or cross-party construction. It is a very real need, and it is a very real risk associated with Brexit.

Professor Ferry: Three principles were put forward on this by local government. First, greater fiscal autonomy. Secondly, a legal position with defined roles and responsibilities. Thirdly, as Amelia mentioned earlier, subsidiarity—passing powers down to the most local level possible. That should be the starting point, because a review would take quite a bit of time—in reality I agree with Tony; this will take a few years to work through—but that doesn’t mean that it shouldn’t start to be looked at.

When I have spoken to people, one of the key areas has been reorganisation. Like I say, you would not want to do that during Brexit, but it might be necessary afterwards, in terms of the scale needed to commission services to get growth. That should be based around spatiality. They could be areas that could be looked at.

Ultimately, this has to tie into the industrial strategy. Things like universities and business should play a much closer role with local government. In fact, I was reading that most investment comes into London, Oxford and Cambridge. You have to ask why it goes to Oxford and Cambridge. Maybe it is because the universities are more active, and maybe that could take place in other parts of the country.

Q17 **Kevin Hollinrake:** In the interests of time, I will focus my questions to Professor Hadfield. You submitted some written evidence to us about how Brexit negotiations were taking place outside the realm of local government—that there was a lack of engagement and the Government are not working "fully and openly with councils to ensure the impacts and opportunities" are well understood. What should they be doing?

Professor Hadfield: First of all, there needs to be a clearer connection with districts and councils as a whole. The LGA is probably one of the obvious linchpins for regional distribution, if you like. The main sense that I got was that the local authorities are simply not part of the Brexit conversation. It is not a bottom-up; there is a top-down structure. Regionalities, spatialities, local sectors and even the local labour market, which are worlds away from the national perspective, are simply not being brought in.

Even something as all-important as trade must have some connection to the way in which trade is undertaken as a dynamic locally and regionally. Without that reading, you will wind up with a rather generic, thin and quite possibly unworkable trade deal that is sort of British in appearance but not fit for purpose in Britain itself, because you fail to engage with the regions beneath. By all means, use the LGA, but more importantly, perhaps, if I may say so, have a look at places, like Canterbury Christ Church University, that are working actively with our chambers of commerce—that was a very subtle plug; did you like that?—and also the county councils in and around.

We have been doing that for two years, and I must say that stakeholders are very positive. They are eager to look for solutions, and they want to work with Government, it is just simply that they haven't found a toehold at this point. I am sure the Government can find a way to avail them of that toehold within DExEU and within key ministries—because of the agriculture in Kent, there should be a greater connection with DEFRA; Dover and the Home Office is another example. Those are obvious connections that need to be and must be made between now and during the transition period.

Q18 **Kevin Hollinrake:** I know the Brexit Secretary recently met with mayors in the north, for example. Are you saying that there needs to be something more than that? Would you describe those meetings as token?

Professor Hadfield: No, I think it is a good start. I would like to suggest one other tool: the idea of a Brexit compliance officer. That is something that could perhaps be funded by local councils and may be sponsored or constructed by the chambers of commerce, maybe on a distributive basis.

Many of the small and medium-sized enterprises will not be able to afford high-level expertise on changing trade modalities, but that is something that I think can prevent those enterprises from going under. There are 60,000 SMEs in Kent, for example, so a linchpin mechanism, like a Brexit compliance officer, will allow local economies and local labour forces to get a read on the changing conditions.

Professor Travers: It is very difficult during the negotiation for the Government to show their hand, as we all know. People can make representations but we all know that, during the negotiations, there is a need for confidentiality. However, once we get going on the second part of all this—the trade deal part—as I am assuming we will, the way trade deals are struck will play back differentially into every part of the UK in a different way. You can just imagine how a deal struck with the EU or the US about aerospace will impact completely differently in the west midlands and near Bristol than it will in London and Scotland—I am making it up, but I am not making it up. The way in which that part of the process then works will precisely impact on local labour markets, local employment prospects and so on, as will the migration policy. So at that point the interests of local areas and the way they are articulated by sub-national groupings or individual authorities is of profound importance, and access to the Government at that point is very important.

Q19 **Kevin Hollinrake:** Is that not a process that should happen after we have actually done our trade—

Professor Travers: I am saying there is a difference in timescale.

Q20 **Kevin Hollinrake:** Yes, but presumably we will look after the aerospace sector in the negotiations, or will try to. Won't trying to sub-regionalise that into a specific negotiation around a local government area, for example, just complicate things?

Professor Travers: The point I am making is that—I am not an expert on trade negotiations or trade deals, so let's park that complication. In doing a deal in a room with people discussing and signing a piece of paper eventually, with a country or bloc, about trade, the precise impacts back in the UK need to be understood, rather than just the deal itself. That is the point I am making. That is because they will be differential impacts on different parts of the UK economy.

Professor Ferry: I think they would complicate a trade deal, but I think Tony makes a good point. There has to be some kind of arrangement so that local government has capacity to support organisations in areas that might be adversely affected. However those transitional arrangements are put in place and whatever the funding and expertise, that probably has to be there.

Q21 **Kevin Hollinrake:** Professor Hadfield, you mentioned the Committee of Regions. Is that something we could implement in the UK domestically post Brexit?

Professor Hadfield: Yes, I don't see why not. I think local government will be militating for it and saying, "We absolutely have to have formal recognition of ourselves as actors and we need to have some participation in terms of the right of consultation." That is because, exactly as Laurence pointed out before, the body of UK law, as it will become, will still be implemented 70% or more by local authorities, so you will need to find a form in which to give voice and recognition to them and, implicitly, the right of consultation.

Q22 **Helen Hayes:** I have a question for Rob Whiteman. Why did CIPFA create the Brexit Advisory Commission for Public Services, and can you tell us a bit about how the commission is engaging with the Brexit negotiation process?

Rob Whiteman: CIPFA convenes the commission, and we have asked public service leaders and representatives from policy institutes, think-tanks and professional organisations to participate in it. It is an advisory commission on the effects of Brexit on public services. Our concern was that, given all the other pressures in the Brexit negotiations, the public sector, which is 40% of the economy, could get crowded out. On the very profound impact of procurement, workforce or regional policy, it could easily get crowded out of the discussion. Realistically, because of the bandwidth issues of Government and the fact the negotiation has to be done, we think it is advice that will become increasingly important over time. We hope that when we get to the detail of what replacement arrangements will be put in place and how they will work, as a group of experts we can come up with neutral, independent, professional advice for Government on things to consider and what would work best.

Q23 **Helen Hayes:** Is the Government proactively taking an interest in the commission? Do you feel that the commission has a strong voice and a role in informing Government's position as it negotiates now?

Rob Whiteman: I think it is an early start. My experience as a former civil servant is that Government is incredibly stretched. The bandwidth issues for Government are enormous. To some extent, the discussion today has spoken about the need to think about post-Brexit solutions, but in fairness to the civil service and the Government, I am not sure they have much bandwidth to be able to think about them or do much about them because Brexit is all-consuming. I would like to see the commission and other sources of information, such as replacement arrangements for the Committee of the Regions, having a more formal role in advice in order to make sure that we do not make mistakes when we get to implementation.

Chair: Thank you all very much for coming in to give evidence to us today.

Examination of witnesses

Witnesses: Councillor Kevin Bentley, Jessie Hamshar and Helen Dickinson.

Q24 **Chair:** Good morning. Thank you very much for coming in to give evidence to us. Could you each say who you are and which organisation you represent?

Jessie Hamshar: My name is Jessie Hamshar. I am director of strategy and engagement at Cornwall Council and a member of the cross-sectoral Cornwall and Isles of Scilly Futures Group.

Councillor Bentley: I am Councillor Kevin Bentley. I am the deputy leader of Essex County Councillor, but for the purposes of this session I am the chair of the LGA's Task and Finish Group on Brexit.

Helen Dickinson: I am Helen Dickinson. I am assistant chief executive at Newcastle City Council.

Q25 **Chair:** Thank you very much for coming. We will kick off with the money. Local government gets quite a lot of EU funding at present, certainly in parts of the country. The Government has talked about a UK shared prosperity fund to replace EU structural funding. What are your priorities for it? Are you convinced it will work? What are your views on it?

Councillor Bentley: One thing that disappoints me is that we did not hear much about it in the Budget. That would have been very useful, because we are getting to the stage where this is becoming critically important for local government. We are still able to apply for European funding in the traditional way through the EU and through national Governments, but of course we are coming to the time when that will end. If this is not sorted out, we will face a short-term or possibly medium-term shortfall of around £8.4 billion that currently goes into local government. We really do rely on that quite heavily, in different parts, in different ways and through different funds, whether through apprenticeships, skills training or projects developing across the country to help to boost the economy. It is hugely important, and more clarity is urgently needed.

Of course, I am very conscious that some of the funding that is going through at the moment is part of the divorce settlement bill that we hear the Government talk about, and that that is part of the negotiation, but speed and clarity are very important for us.

Helen Dickinson: In Newcastle, we certainly share the disappointment that there was not more about the future of the shared prosperity fund in the Budget. EU structural funds have been crucially important for regions such as Newcastle and the north-east. To put in context the scale of funding we receive from them at the moment, we would have expected to receive around £80 million for Newcastle over the period from 2014 to 2020, which is around twice the scale of the funding received through the local growth fund allocation. That funding is really critical to our ability to support our local economies.

In thinking about the future of the shared prosperity fund, there are five points that we see as really important and that need to be taken into account when designing it. First, the EU funds need space. They reflect differences in GVA compared with the EU average; it is one of very few sources of funding that take that needs-based approach. For regions such as Newcastle and the north-east where GVA remains below the national average, it is really important that there is a sustained source of funding that seeks to redress the balance in that way.

Scale and duration is another really important aspect of the EU funds. The certainty of allocations over five or six years allows you to develop an effective pipeline of projects and hence use the money more effectively than pots of money that you might only have certainty about one or two years in advance.

The devolved nature of EU funding is also important to us. It allows us to take a genuinely place-based approach, looking at infrastructure investment alongside the skills development needed to support that. Devolved control of the future UK shared prosperity fund would be really important to us as well.

Another important thing we want to see from the fund is the flexibility to look at what our local needs are. EU funds include elements more focused on skills, on infrastructure or, for example, on energy and the low-carbon economy. We would want the flexibility to be able to determine the balance of those at a local level, rather than potentially risk Departments in Whitehall coming back and wanting to own their bit of those funds so that we end up with three or four separate funds, rather than a single pot so that we can take a place-based approach.

Lastly, we recognise that the European Social Fund is, at the moment, one of the few sources of funding we have to support people furthest from the labour market. As Professor Travers commented earlier, in the future it will be really important to our productivity to be able to increase workforce participation and support people who may be quite a long way from the labour market at the moment. It will be really important that those elements of the European structural funds are continued into the shared prosperity fund. It is one of the very few options we have at the moment for that kind of activity.

Jessie Hamshar: Cornwall has obviously been a major beneficiary of those funds as one of the poorest regions of the European Union. To reinforce what Helen just said about the absence of other sources of funding that do that job, this stems from cohesion policy, which is a fundamental principle within European treaties. There is a founding commitment to that rebalancing of the economy within the European Union that it would be great to see replicated within domestic legislation as well as policy.

The funding that Cornwall has received has averaged about £60 million a year since 2000, and it has essentially enabled us to put in place the basics for a functioning economy. We now have a university in Cornwall, a regional airport, superfast broadband coverage that gives us the best digital infrastructure outside London and business parks for businesses to start up and grow on that just did not exist before. These things take time, but that has had a very positive impact on our local economy. We are now on the cusp of moving out of what in European terms is categorised as “less developed” and into “transition”. That is a really key point for us in our economy in Cornwall and the Isles of Scilly and we want to maintain and accelerate that journey because ultimately, we want to get to a position where we are net contributors to UK plc. There is obviously a really significant risk of us falling back if that investment is not maintained, especially given what we have heard this morning about the shocks—I think the term Professor Travers used was “disruption”—that there will be to different sectors and economies. Places like Cornwall have a less resilient economy to begin with and are perhaps more vulnerable to those shocks, so maintaining that funding is really important.

Putting aside the question of how much that funding is, which is a really important question, I would completely echo all the points that Helen made about how we would like to see it designed and used. We were in Brussels last week and all the regions with UK offices in Brussels were making exactly the same points about a single pot approach, so that you do not have misaligned funding streams that make it very difficult to piece together the funding to support the projects that are needed in the local economy in the best outcomes-focused way.

In Europe, they are looking at a 10-year programme for the next round to give that longer term certainty and to enable that focus on inclusive growth. I echo the point that where those programmes have not been well aligned in the past, it has made it very difficult to connect people to the projects that are being delivered to support the economy. In Cornwall we have an innovation centre that is right next door to one of our most deprived neighbourhoods, but they do not really connect because there are very few people from that estate, maybe the cleaner, who work in the innovation centre. That ability to connect those in an inclusive growth approach is really important.

Councillor Bentley: Many authorities are currently applying for existing funds, which of course will hit exit day and those funds will carry on. My own has applied for an ESIF programme that currently runs for two and a half years. That is where the clarity question really comes in and why the prosperity fund becomes really important. The clock is now seriously ticking on this.

Q26 **Chair:** To follow up on that from the LGA’s point of view, I do not know how much discussion you have had with Government. Government said that they were going to guarantee any schemes that had been agreed before the autumn statement last year, then would guarantee other schemes that were agreed after that, subject to them being in line with Government policy but with a potential cut-off date.

Given the complexities of getting agreement on some of these schemes, where LEPs and others are involved in them, and having been pressing for an extension of that guarantee, what sort of response have you had so far?

Councillor Bentley: Certainly, we are pressing Government continually on this and many other issues, which will no doubt come up during this evidence session. We are certainly talking to Government about this funding and the critical timeline on this funding, not just for us but for the LEPs.

One thing is that it is the very nature of local government to be very close to the residents we serve. This action is about people, their jobs, their families and their futures. That is hugely important. That is why we were disappointed that we did not hear anything in the Budget. We are continuing those conversations. I do not have an exact answer for you because those conversations are going on. I suspect it is complicated around the national negotiations taking place.

Q27 **Chair:** There is a danger that the devolved authorities, the devolved Parliament in Scotland, could well spend all the money that is available to it, but in England we end up with a significant underspend on EU funding. That is not a happy place to be, is it?

Councillor Bentley: That is the point we are making.

Q28 **Liz Twist:** Would you like to be able to buy into European Union funding programmes? How realistic do you think that is?

Councillor Bentley: From our point of view, buying into European funding, we would again need clarity on what the funding is going to be in the UK. One thing I would say is that the opportunity around this—you have heard about the risks—is to simplify the process. You heard our colleagues this morning talking about that.

It is very cumbersome and it can be mismatched sometimes. There is an opportunity now to streamline that and to make it more easily accessible to people who are applying. Again, it is not just local authorities. We are the predominant ones, along with LEP colleagues and others applying for this.

Such programmes as LEADER, which looks after the rural economy, are hugely important. Lots of local small firms are involved in that as well. Whether we buy in is probably a slightly moot point until we have clarity around what the prosperity fund is going to be. Once we have that one pot and what the governance of that is going to be, it becomes a lot easier to answer that question.

We are slightly in limbo, hence our trying now to push very hard to get clarity around that. If we get it right—and it is on all of us to get it right—I do not think we will need to buy into EU funding because we will have the better deal here, but it does depend a great deal on what the Government are going to do around that prosperity fund.

Jessie Hamshar: Councillor Bentley is right. It is very hard to answer that question without knowing what the alternative is. Buying into European funding would be one way of mitigating the risk if the opportunities this presents for a better shared prosperity fund approach do not materialise but, equally, you lose that opportunity, don't you?

It is very hard to answer without that sense of the alternative. The principles are that any UK fund should be of at least the same scale and size and should be better managed, with more devolved power, outcome focused, long-term certainty and a single-pot approach that enables it to be matched well to the projects needed in local economies.

Helen Dickinson: That question of buying into EU funds may depend on which fund is under discussion. With the structural funds there is potential to have a UK approach, which could be better in some ways. With other aspects, such as the Horizon 2020 programme, I cannot speak directly for our universities but I know that the ability to collaborate across Europe that that programme brings is extremely important to them. In that sense, to be able to continue to reap those sorts of benefits would probably be very important to the universities, which are in turn very important to our local economy.

Jessie Hamshar: If we are looking at those kinds of research and collaboration projects—absolutely yes.

Q29 **Liz Twist:** I want to ask about the European Investment Bank and what happens post-Brexit. How important is easy access to the European Investment Bank to local authorities?

Jessie Hamshar: That is quite a hard one to answer because we have not mapped what was all the funding into Cornwall and the Isles of Scilly that flows from the European Investment Bank. There is a general principle that at a time when the economy is undergoing significant change and turbulence, why would you want to lose access to a source of finance? There is also the reason that it is hard to track some of the ways in which money flows into local economies.

For instance, the European Investment Bank supports a lot of the Government housing guarantees programme. Housing associations in Cornwall have benefited from those guarantees and that has enabled them to provide more affordable and decent quality private rented sector accommodation in Cornwall, but there will be lots of other ways in which money flows into the economy that may be with the help of the EIB. We do not actually have a map of that. I do not know if colleagues have one for their areas. I would love to know their data sources if they do.

Helen Dickinson: Not so much the data, but there are certainly characteristics of EIB funding, which are really important to us. On the question of the future access: if those characteristics could be replicated nationally then that might be an alternative, but it is not clear that they could be.

For example, EIB funding is seen as private sector funding from a state aid perspective. There is a whole other question there about the future of state aid, but that is a valuable characteristic. The EIB is also able to be long-term and strategic, and is prepared to work with cities and regions in a way that gives confidence to potential international investors. The ability of the EIB to invest overtime independent of the political cycle of any one of the countries it is involved in gives it credibility with potential overseas investors in the region. Those characteristics of the funding are important to us and it is not clear how easy it would be to replicate those in a national equivalent.

Councillor Bentley: I agree with all that. Clearly the access to the EIB is hugely important for not just local government, but the private sector. The question it comes down to is—as we have struggled with before—what is the alternative? That is what we do not know. Until we have some idea on that—you are hearing a constant message that we just need more clarity, but the whole country is saying that, isn't it?

We need to know what we can do to access those funds, which are and will be so critically important. If you went down into the data, as my colleague here said a moment ago, they will be far-reaching across the whole of the economy and indeed communities as well. At the moment the access is important. I would say that we need to know what the alternative is before we can properly answer that question.

Q30 **Liz Twist:** The next question really follows on from that. If that access to the European Investment Bank were to stop or reduce, how would you like to see investment finance administered in the future?

Helen Dickinson: Do you want to go first?

Councillor Bentley: We are being awfully British about this, aren't we? Who is going to go first?

Just on that, it is hugely important that the economy has confidence that there is a source of funding that it can go to, which is long-term and strategic, as you have heard. I think the EIB does bring that completely. It does not matter about the election cycles of member states—it continues. We would need to have an assurance that we have that long-term ability. How that is then funded is a question.

Local government ought to be part of that conversation. Since we are accessors of it, as well as other organisations, we ought to be part of that debate that is going on, and also those who contribute to that as well. That becomes hugely important.

It is a very good question, but slightly difficult to answer, because we have not got to that level of negotiation, or indeed that level of idea and clarity around what the Government are proposing on that, to be able to know where we can go on that particular subject. I would say it is about long-term stability and long-term planning, and that the equivalent, whatever it may be—if there is to be an equivalent—will have a long-term view.

The economy is not instant; it takes some time to build. Especially around the digital economy, which we are hearing about, it is emerging continually, all the time, therefore we have to be able to react to the emergence of new technologies and at the same time plan long term for their existence and survival.

Helen Dickinson: I agree with the councillor on that. Maybe, if I could just add, given the importance of stability and certainty in the long-term nature of the EIB, any transition arrangements, if there were to be a new system, and having stability, foresight and certainty through those, would also be really important, so that you wouldn't have a hiatus of a few years, which could have negative impact.

Q31 **Kevin Hollinrake:** Thinking about the workforce, what impact would any change in the status of EU nationals have on Europe?

Councillor Bentley: You have already heard from our academic colleagues this morning. Importantly, it is around a number of areas, particularly social care, construction and tourism. Tourism is not often talked about, but a large part of our economy does rely on EU nationals as well as non-EU nationals. What we need is the ability to retain workforce, so that we have a skilled workforce, particularly in that social care function that you asked for evidence about this morning—you asked very important questions around the stability of that.

Being able to retain that workforce, which will come with certain skills, is hugely important. It is also hugely important to be able to maintain the fact that people who already work here are able to come here, as well as the skilling up the people of the United Kingdom. In our case, that is England, which I represent for the LGA, but it is hugely important for all the nations of the UK.

It does have an effect in the short term. It is very important that we are able to give to our workforce—in social care, local government is not always directly involved in employing people nowadays, but certainly we have lots of contracts and we work with the private sector, and there are elements within local government that rely on EU nationals. There are even members who are EU nationals who represent certain areas for their councils.

For us, it becomes very important to establish that we can have some guarantees around what the rules are going to be with that migration and with people who are already here and their long-term future. We have heard comments that they will be safeguarded, but we need absolute clarity.

Q32 **Kevin Hollinrake:** Are you realistically saying that you are worried that EU nationals who are here today will be sent back? Is that a realistic worry, or is it more about the future?

Jessie Hamshar: I think that workforce is a key issue, because some of this is happening now. People are taking decisions based on their personal circumstances and the risks and uncertainty to them right now. Research that Cornwall Council and the Cornwall and Isles of Scilly LEP commissioned into the contribution of EEA migrant workforce into our local economy found that there are particular risks in agriculture and horticulture.

In Cornwall, that industry employs about 30% of people locally. It is not a highly productive sector, but it employs a lot of people. As you heard from the previous panel, seasonal labour is really important there. That seasonal workforce is deciding not to come, so there has already this year been a 25% contraction in the workforce available to farms and horticultural growers in Cornwall. You may have seen some of the coverage of our research report, which essentially found that there are unharvested crops rotting in Cornish fields now because there has not been the workforce to lift them.

At the other end of the spectrum, we have areas where we have highly skilled EU nationals. Cornwall has a rich mining heritage and we are globally recognised for our skills in geotechnology and all of that. We have an alliance of 30 geoscience companies. All of them are now looking at relocating to outside of Britain so that they can continue to access the research and collaboration funds that we were talking about earlier around Horizon 2020.

One local company we spoke to, GeoScience Ltd, has seen three of its most skilled people leave immediately out of personal choice because of the uncertainty they felt over their future. It has also seen itself excluded from collaboration and research projects because other partners are worried that the project will not get funding because British involvement brings risks and uncertainty around Brexit.

Q33 **Kevin Hollinrake:** But in terms of the actual status, are you saying that people are not confident that what has been said in terms of protecting the existing rights of people here will be carried through? Is that what the feeling is?

Helen Dickinson: It is as much about the future flow and the impact that might have on our workforce. In the north-east, the proportion of our workforce that is non-UK-born is lower than the national average, yet if you look at where inward migration has contributed to our economy, it is hugely important.

Most of the growth in our workforce over the past 10 years has been down to international migration. Given the demographics, we would expect that to continue to be really important going forward. It is also the case that for the north-east, international migration has made an important contribution to filling our higher skills gaps. Our skills gaps for higher-level roles are larger than the national average, and we see our migrants disproportionately concentrated in higher-skilled roles.

Our concern is that restrictions in the future on the volume or the nature of migration may impact on our ability to grow our growth areas of the economy. In particular, if there were a system with restrictions on inward migration, then because our labour market is smaller than, say, London and the south-east, we might lose out to other areas of the country when highly skilled migration is particularly important to our future economic growth. That is something we are very conscious of for Newcastle and the north-east.

Q34 **Kevin Hollinrake:** But Professor Travers said earlier that areas of relatively low pay currently may benefit, because less migration means that wages have to be put up to attract workers into those areas. Is that not something you see as an opportunity, too?

Helen Dickinson: There is both an opportunity and a risk, which I was just going to come on to. The other issue we are conscious of is that in some parts of the country there may be quite significant skills shortages, which would potentially lead to opportunities for our residents in terms of inward migration—migration within the UK. I guess our question is: what does that do to our local workforce? While providing opportunities, it may also lead to a risk that local businesses are not able to access the skills they need.

What this brings home is the fact that the local impacts of changes in migration can be really different in different parts of the country. I think we all hope that somebody, somewhere in Whitehall, is doing some modelling of what those potential impacts are and looking at whether areas of the country could be disproportionately impacted and what could be done to mitigate the impacts; in local government, we do not have the capability to do that sort of modelling and we do not have access to it. We are conscious there could be very significant workforce shifts that we are not really aware of and able to prepare for. That is a concern for us.

Q35 **Kevin Hollinrake:** You do understand your areas much better than central Government, so the question is what help you need to ensure that you can fill your own skills gaps, because you know where they are. What do you need to be able to do that?

Jessie Hamshar: There is something about a place-based approach to future migration and workforce policy. One recommendation of the research that I mentioned earlier we had commissioned was that if you have a restricted flow of inward migration—I am talking not just about highly skilled migration, but some of the highly valued roles in our local economy, which may not be highly paid—people are less likely to flow out into the more peripheral regions.

It was interesting to hear Professor Travers mention that the regional breakdown of the recent migration showed that the contraction had been much more in peripheral regions than in London and the south-east. So there is something about how a future migration policy will facilitate migrants not just to stay in London and the south-east, but to move out into other regional economies.

Q36 **Kevin Hollinrake:** Yes, but this is not just about migrants; it is about working with our domestic population as well.

Councillor Bentley: Two points are raised there, if I may say so. The first is about the migration policy. Certainly the LGA has collected evidence from local authorities, member authorities, around the country, and worked with Government statistics, too. The situation is very different around the country. Depending on where you are—whether it is rural or urban—it will be very different. Unilaterally across the country, the food and beverage industry is something that really needs to be considered. Part of that is about tourism, which I mentioned before.

The other point is about our own population within the United Kingdom and how we meet the skills gaps. I think that is probably what you are referring to. I have a simple answer to that: devolution. You heard it writ large by our colleagues this morning. I have long—

Q37 **Kevin Hollinrake:** The question is what support you need to do that. Do we simply devolve it and leave you to it, or do you need some help?

Councillor Bentley: Certainly the way the funding goes—again, I will give you an example from my own authority some years ago. At the time, it was unique. We set up in Essex our own skills board, which for the first time sat employers down with educationists. They are devolving programmes of funding that is required for certain areas on certain skills. Sometimes that will be unilateral. Many times it isn't; it will be different; and it will be different again across the country. What we need, I think, is a decentralised skills approach to this country. That, to me, will improve productivity greatly. At the moment, we have a one-size-fits-all approach and it does not work.

Q38 **Kevin Hollinrake:** Aren't the LEPs supposed to be doing that, working with you to—

Councillor Bentley: To a degree. It depends. I sit in the SELEP area, which is a very large area. Some LEPs are much smaller. It depends on the scale. That becomes important as well. We do work very closely with our LEPs around this as well, but the skills required in East Sussex may not be the same as those required in Essex, so it becomes important that we have local people, who are the businesses and the young people and older people, too—this is not just about young people; older people also want a change of career. It is important that people do have the correct level of education to move into the skills that are required. Again, in the digital sector, that is emerging. It becomes hugely important, because the UK has to be ahead of the curve, and if we carry on centralising that, it won't be.

Helen Dickinson: I absolutely endorse Councillor Bentley's comments on the importance of devolution. For Newcastle, in the North of Tyne devolution deal, we are very pleased that the Budget announced a devolution deal for our area that included devolved control of the adult education budget, but that is only one part of the skills system. The concern is that there are many other aspects of the skills system that, to really be able to tackle our skills gaps, we would be looking for devolved control over.

Q39 **Kevin Hollinrake:** Such as?

Helen Dickinson: For example, the impact of the apprenticeship levy in our region has so far been quite negative, yet that is really important in terms of young people's skills. The adult education budget is not necessarily as focused on people who may have been out of the workforce for some time and whose skills may be a bit out of date. That comes back to our discussion earlier about the shared prosperity fund and the importance that that included an ability to support those furthest from the labour market. It is a matter not of devolving one single bit of the skills system but the ability to look at the skills system across skill levels and across age groups in any one area.

Jessie Hamshar: Supporting businesses to prepare for this change and the difference in approach it will require from them is really important. I say that because 99% of people in Cornwall are employed in small or medium-sized enterprises, or very often in micro enterprises. If there is a contraction in the economy, that will flow through very quickly into an increased loss of jobs in the workforce and an increased demand on public services in our economy.

We have talked a bit about the impacts on council sector workforces, such as social care, but one of the big risks is if the local economy and businesses are not sufficiently resilient to maintain jobs in the economy. We have 44% of households in Cornwall just about managing—earning £20,000 a year or less, employed in low productivity, low-value areas that are quite vulnerable to contraction. If the economy contracts, there will be much increased demand for public services in an era of austerity when the funding for those is declining.

There is quite a significant risk in that, so what we really need is support, in terms of helping businesses in the economy to prepare to weather that disruption and change. We mentioned automation earlier, so some of that might be in agriculture and agri-tech investment, which takes time. If we start getting Government support to invest in that now, perhaps that will help some of our agriculture and horticultural industries to weather this.

Also, Cornwall has a very tight labour market. If businesses are to reach out to some of those harder to reach, furthest from the labour market areas for their future workforce, or if we are to get people with mental issues, which there are high levels of in Cornwall, back into the workforce, what new and additional support is needed for those people to be brought in?

Q40 **Fiona Onasanya:** I want to go back to EU legislation. What are your priorities for repealing or amending EU legislation post Brexit?

Councillor Bentley: On that basis, you have heard about one fundamental thing this morning that is important to us, which is the Committee of the Regions, which currently has a statutory right in consulting on EU legislation. The LGA are in close contact with the Government and we have met with them and made lots of representations to them that we need an equivalent ability to be able to consult formally on laws that directly affect local government in the future.

What we do not want is just to reconstruct a committee of the English regions or the UK regions. We want to have a loose and flexible approach but with direct consultation. That is currently under discussion at the moment.

There are other parts of legislation. Again, you heard from colleagues this morning about state aid and also around procurement, which is hugely important for us. Again, being able to devolve some of that power would also be very important as well. We need to get into the nitty-gritty of that, but at the moment we have to go through a very long process within the EU to be able to do that, around OJEU and that sort of thing. What becomes important for us in that is to be able to be more flexible and to tailor-make it for our local economies as well, which can be done but is a bit more difficult at the moment.

At the moment, the Government have said everything will be transferred back here. We are going through a long list of many thousands of pieces of legislation to see what best fits local government and make that representation directly to them.

Q41 **Fiona Onasanya:** With that in mind, what resources or support do local authorities need to make these legislative changes post-Brexit?

Helen Dickinson: The general question of transferring EU legislation into UK law raises three issues for us in local government: the impact that the risk of ambiguity in the transitional phase could have on us; the flexibility in how the legislation is transferred; and the capacity and resources to prepare.

On legislative ambiguity, uncertainty around the frameworks that might pertain, particularly in relation to state aid and procurement issues, raises quite a lot of legal risk for local government at a time when we are already bearing risk in quite a lot of other areas. While there are opportunities to look at simplifying and speeding things up, particularly in procurement, certainty about what those frameworks are is really important to us as well.

On flexibility, quite a lot of the bits of legislation that will be coming back to the UK relate to the single market. We would not necessarily want different standards for local government in Newcastle and Cornwall, for example, but we recognise that as local government we are often asked to play a role in enforcement. If those powers are repatriated to Whitehall and Westminster, we want to be sure that there is flexibility for local government in how they are enforced and that we are involved in that conversation, so that things designed nationally are appropriate for local government's enforcement role. The food and drink sector may face particularly big changes, given the extent of legislation in that area and the role of environmental health officers in local government.

That brings us to your question about capacity. Look at how much of what local government does could be impacted by Brexit, including our economic role, our workforce, the sort of funding we can access, our procurement processes and our enforcement and regulatory roles. There is clearly an enormous capacity challenge in preparing for that. I am sure the Committee is aware that the financial context for local government is very challenging at the moment. We are finding it increasingly difficult to do much beyond our statutory duties.

One of my questions is whether—and how—any of the funding of £1.5 billion over the next two years announced by the Government to prepare for Brexit will come to local government. The extent of the challenge is very significant for us. For Brexit to be a success for the whole country, it is really essential that local government be able to prepare and respond to those changes as well as central Government.

Jessie Hamshar: I echo both those points about capacity to prepare and flexibility for enforcement of regulation policies. In Cornwall, we have established a "better business for all" hub, which is really about providing a single point of contact for business for the advice and support they need about the regulatory environment that they have to work in. It has been very successful. There is huge opportunity for local government to continue to be a single point of contact for business around regulation and enforcement activity. That helps business: it streamlines the service for businesses and helps them to be more competitive rather than having a segmented, difficult and non-joined-up path through. There is definitely potential there.

We have not yet touched on environmental regulatory standards. You would expect me to raise that since I have come here from Cornwall, where the quality of our natural environment is hugely important to our local economy. It drives the visitor economy, bringing in over 5 million visitors and 14 million day trippers a year. There is potential for devolution of elements of environmental standards such as bathing water quality. We certainly would not want to see any diminution in standards in those areas.

Councillor Bentley: I would add that air quality standards, food safety standards and trading standards are all administered and enforced by local government, so we have to start thinking rapidly about what resources we currently have and what more we are likely to need. These are emerging issues. I echo the point that money going to Government Departments is fantastic, but what about those who actually enforce the law?

Q42 **Fiona Onasanya:** So funding and resource is what you face.

Councillor Bentley: Yes.

Q43 **Bob Blackman:** Given that we are in the position of powers coming back to the UK, there is obviously the opportunity, which the previous Secretary of State made clear that he wanted to see, for devolution not only to come back to the UK but to go further to local government and to devolved Parliaments. What powers do you want to see devolved from this place to local government?

Councillor Bentley: I have mentioned some already. Many of you were councillors, and we have heard about devolution for many years of different Governments with different issues. We are still waiting for it to really happen properly, certainly around skills. I am very blunt about that. Productivity in this country will increase, no question about that, if we devolve skills to the authorities through the LEPS or to the authorities directly dealing with skills such as county councils and unitary authorities. You have also heard about procurement and state aid. There needs to be a national framework around that, quite clearly, otherwise we will have pandemonium. None the less, we need to have the ability to be more flexible, especially around procurement—how far we have to advertise our contracts and that sort of thing.

Q44 **Bob Blackman:** One important thing that Fiona was picking up on is the legal changes. Do you envisage that there need to be legal changes? At the moment, we are transposing all this EU law into UK law. We may decide that we do not want or need some of it. Are you saying that you need any legal changes?

Councillor Bentley: I think that is right, and that is part of the conversation we as local government should be having with national Government to determine what those changes will be. Some laws are very good, by the way, that are coming back from the EU and we will want to retain them. We will maybe want to even tighten up on others. Certainly, air quality is one of those fundamental issues for the world, not just the United Kingdom, that we may want to tighten up on here. There will be other issues around whether we want to relax some of the laws, especially on some of the funding issues that we have talked about.

We need to have a conversation with the Government. We are having a good dialogue with Government Departments around this—I would not claim that we are not; we really are—but this is now getting down to some of the nitty-gritty areas where we need to start talking fundamentally with the Government about what we would like to have devolved down to us and what our payback will be, because it is important that the Government know that they are not just handing us something that we will not do. I would say that on most, in fact all, of the services we deliver, we are pretty good—we have been doing it a long time. We have been operating in an area where we have had to reduce a lot of our funding for that and we still maintain those services very well. So we can do this and do it very well. I think we now need to have that conversation about the legalities and about what instruments around the law we need to change or improve to enable us to deliver those services in an even better way than we are at the moment.

Jessie Hamshar: We have heard from the previous panel and this one that the impacts will be different in different places and that if we are to have an economy that works for everyone, it will be important that local authorities are equipped with the tools and levers to maintain their economic progress against a quite challenging backdrop—one with some opportunities, but also some risks and impacts that are already materialising. As part of that, in Cornwall and the Isles of Scilly we are looking at devolution, Brexit and an industrial strategy as all part of one conversation with Government about the powers and tools that we need to maintain and accelerate our economic progress.

At the moment, as you have also heard from both panels, although there are some sectoral impact assessments, we have not yet really got a sense of a strong place-based impact assessment or of what places need to come through this intact and with flourishing economies. A real dialogue with local government around devolution is needed; those things may be different in different areas. There are some areas of common issue that you have heard from colleagues here, but there will be aspects of devolution where different economies need different tools and levers to flourish.

Q45 **Bob Blackman:** Do you think that you are being listened to in Whitehall when you are making these representations?

Jessie Hamshar: Local government was promised a seat at the table. It is not clear even where the table is, never mind what the seat is. If you look at the five committees that have been set up, even at a ministerial level the DCLG Secretary of State is represented at only one of them, and it is the committee that is looking at the day-to-day issues that arise. It is not one of the negotiating table committees.

It is welcome that joint ministerial committees have been established with the devolved Administrations and some of the overseas areas, but there is no regular formal channel for communication or dialogue with the political leaders of English regions, which would be very welcome. It was great that there was a meeting with the metro mayors, but it is not enough on its own. That dialogue needs to be with every part of the country.

Q46 **Bob Blackman:** One of the issues with metro mayors is that a lot of powers have been devolved to them, so places such as Cornwall might well say, "We are missing out."

Jessie Hamshar: It is interesting, isn't it? Cornwall was the first rural area to secure a devolution deal back in 2015. We are an incredibly large unitary authority covering a large area. The Government's default position is to talk to areas that have chosen a particular governance structure. It is important that they have that dialogue, but they need to talk to all sectors and regions. The recent research that Oxford Economics did for the County Councils Network found that 47% of the population live in those non-metropolitan areas, which account for more than 40% of productivity in the economy. Absolutely, have the dialogue with mayors and core cities, but it also needs to be had with non-metropolitan areas.

Councillor Bentley: That is true, but I would stress that the LGA is talking to Government—DExEU, particularly—at a political level. The four leaders of the four national associations sit down with Ministers, and our officers are in regular contact with civil servants as well. It is not broken down, as we have just talked about, but on a national basis—the UK as a whole—we are talking to the Government.

Jessie Hamshar: There is something about the bandwidth issue that came up with the previous panel.

Helen Dickinson: Yes, there is definitely that bandwidth issue. It is clear that the Department for Communities and Local Government, in particular, is keen to engage. There is a strong appetite from local government to engage on these issues. It is not quite clear what the format or structure is to engage with other parts of the Government. There is also a lack of clarity about when particular issues will be talked about. The shared prosperity fund, for example, may be implemented in about 18 months, but we don't know when we will have more detailed conversations about its structure.

There is also the great difference in the potential impact on different parts of the country. The question is whether individual Departments are looking at regional impact and whether anybody is looking at the cumulative impact in any one region. That is something we hope is happening somewhere in Government, but we have to take that on trust. We don't have any certainty that the cumulative impact is being factored into Government thinking.

Q47 **Andrew Lewer:** Just a very specific point about the current OJEU—the Official Journal of the European Union—requirements for contracting. Although most law, as Mr Blackman said, is going to be transposed, that can't really be transposed, because it is a requirement to put something in a journal of which we won't be a member any longer. That has serious impacts on contract arrangements that local government have—probably billions of pounds-worth. Has the LGA or anybody else put that forward to the Government and suggested that it is not something that you can automatically transpose?

Councillor Bentley: That is part of our ongoing conversation. You could just take that and say, "You have got to advertise the contract across the United Kingdom." That could happen. As I was saying before, I think that one of the issues we will face is whether we want to accept that as local government and national Government, or whether we want to boost the regional economies more by limiting it to that. We were talking before, Mr Blackman, about what the law may be, but that is a piece of law we have got to do. I think we need to do that in consultation with business as well, because it is about UK plc. We need to have that conversation. It is about making sure that at the moment our local businesses—regional businesses—have a fair crack at the whip. They do at the moment, of course.

It is also worth noting that, although we have to go through this process of OJEU, we get very few applicants from the rest of Europe—the member states. The sheer length of time and the cost of doing that is something we will benefit from.

Q48 **Bob Blackman:** Very briefly—a yes/no answer will suffice—do you want to see the Committee of the Regions replicated post-Brexit?

Councillor Bentley: Not in its current form, but certainly we need to have that kind of level of discussion and consultation with Government.

Chair: Thank you all very much for coming to give evidence to us today. That is appreciated.