

# **HOUSE OF COMMONS COMMUNITIES & LOCAL GOVERNMENT SELECT COMMITTEE – INQUIRY INTO BREXIT & LOCAL GOVERNMENT**

## **MEMORANDUM OF EVIDENCE FROM THE CHIEF ECONOMIC DEVELOPMENT OFFICERS SOCIETY (CEDOS)**

### **EXECUTIVE SUMMARY**

#### **Driving local economic growth**

- To make a success of Brexit and make the most of the challenges and opportunities it presents, promoting economic development and growth both nationally and locally throughout the country must be a priority.
- Local economic growth is an essential foundation for national economic growth in which all areas – city and county, urban and rural – are enabled to realise their full economic potential for sustainable growth.
- Local authorities have a key role to play, both as local leaders and as deliverers of economic development and growth initiatives.
- Government must work with local government to understand fully the varied local impacts of Brexit across the country and ensure local authorities have the freedoms, flexibilities and resources to play their full part in making Brexit a success.

#### **Risks and opportunities**

- Shortages of both skilled and unskilled workers could affect many areas, particularly those dependent on sectors reliant on EU migrants such as agri-food, health and social care, construction, tourism and hospitality.
- Local authorities are affected directly by workforce issues resulting from Brexit. A particular issue is the impact on health and social care provision with uncertainty on rights of non-UK citizens and the relative weakness of Sterling adding to longstanding challenges to recruitment and retention of suitable staff.
- Meeting the infrastructure requirements to ensure the capacity and efficiency of the transport network and access to international gateways is critical to local areas being able to take advantage of the opportunities of Brexit. In this Sub National Transport Bodies will have a vital role.
- Brexit risks deterring and threatening new and existing investments by both UK and overseas owned firms. Government, local authorities and LEPs must build up efforts to attract and support businesses from the EU and elsewhere.
- There are risks to local government finance for economic development both from the financial implications for local authorities of adverse effects of Brexit on local economies and businesses, and from loss of EU funding.

- A major risk to local authority action to drive local growth is that with the move to 100% business rate retention and withdrawal of the revenue support grant, local government will be more exposed to potential loss of income resulting from any adverse local impacts of Brexit.
- EU Structural and Investment Funds are a major source of funding used by local authorities for economic development; CEDOS research highlights the significance of Brexit and the funding gap that will need to be filled.
- A new 'shared prosperity fund' presents an important opportunity to streamline and improve upon the often cumbersome processes of current EU funding.

### **Providing more certainty and stability for local government**

- Government should assess and clarify the implications for local government and local areas of different Brexit deal scenarios and what it will do in response to provide local authorities with the stability they need.
- Government must take action to protect local areas against adverse effects of Brexit and ensure local government has the resources and freedom of action to meet the challenges and take advantage of opportunities.
- Government must commit to replace EU Structural and Investment Funding, with an amount at least equal to its current value.
- It should make a clear and immediate commitment to a 'shared prosperity fund' for economic development, providing a revenue stream for projects and not just capital grants.
- In implementing 100% business rate retention, Government should provide the necessary support to protect local authorities adversely affected financially by the impact of Brexit on their local economies.

### **Devolving powers from the EU to local authorities**

- Local authorities have a democratic mandate to lead their communities and Whitehall should not be the default destination for EU powers coming back to this country.
- There is a need to renew and re-invigorate the process of devolution in England to cover all areas - both city, city-region and county areas.
- There must be appropriate devolution of powers in areas critical to the UK making a success of Brexit, including the development and implementation of an industrial strategy, infrastructure provision and promoting inward investment and exports.
- A significant proportion of existing EU Structural and Investment Funding should be delegated directly to local authority control with minimum bureaucracy and greater freedom as to how it can be spent locally.

- Brexit presents an opportunity to devolve funding for skills and employment investment with local control. Local authorities are ideally placed to lead on this.
- Local government must be directly involved in the design and implementation post-Brexit policy to control migration of both skilled and unskilled workers from the EU and elsewhere and in efforts to increase the supply and employment of appropriately skilled UK workers.

### **local government representation in Brexit negotiations**

- The Local Government Association is playing a valuable role in representing the local government view to the Department for Exiting the European Union and through regular meetings with Ministers.
- Government must engage fully with all local areas. It must ensure local government has a prominent and formal role in the Brexit process. This will increase its understanding of the risks and opportunities of Brexit in different areas across the country and better inform its negotiating approach.
- Government must work with local government and keep the sector informed as negotiations develop, to allow local authorities to raise concerns and plan solutions as the full implications of Brexit become clear.

## **INTRODUCTION**

1. This Memorandum of evidence is submitted by CEDOS - the Chief Economic Development Officers Society. CEDOS is the voice of Heads of Economic Development and senior economic development professionals from across England. Membership includes city, county and unitary councils and combined authorities. We carry out research, develop and disseminate best practice, and publish reports on key issues for economic development policy and practice. Through our collective expertise, we seek to play our full part in helping to inform and shape national and regional policies and initiatives.

2. We welcome the opportunity to submit evidence to the Committee's Inquiry into Brexit and Local Government. Our evidence focuses on this from the standpoint of economic development, including the issues highlighted by the Chair of the Committee in relation to how the UK's departure from the EU might affect investment, development, and economic funding affecting local authorities, and on the employment of EU nationals and how local workforces may be impacted by Brexit.

### **Brexit and the importance of driving local economic growth**

3. Brexit presents the biggest structural change this country has faced for a generation. The economic challenges, particularly around the uncertainties caused by Brexit, have been highlighted by many respected organisations both nationally and internationally – including the Office of Budget Responsibility, the Bank of England, the Institute of Fiscal Studies, the International Monetary Fund

and the OECD<sup>1</sup> and by the Chancellor of the Exchequer himself, who has referred to a “cloud of uncertainty” surrounding Brexit with both businesses and consumers holding back on making investment decisions “waiting to see what the direction of travel is” around the UK’s departure from the European Union, before making major investment decisions<sup>2</sup>.

4. If we are to make a success of Brexit and make the most of the challenges and opportunities it presents, promoting economic development and growth both nationally and locally throughout the country must be a priority. Indeed, local economic growth is an essential foundation for national economic growth in which *all* areas – city and county, urban and rural – play their full part and are enabled to realise their full economic potential for sustainable growth. In this, local authorities have a key role to play, both as local leaders and as deliverers of economic development and growth initiatives.

5. Our reports *Local Authority Economic Development – Funding Governance & Delivery* and *Local Economic Development 2016* illustrate the ways CEDOS member authorities are taking action to drive forward economic development and growth through a wide range of initiatives in critical areas such as: inward investment, business growth and finance, employment and skills, and providing the infrastructure for growth, including delivering superfast broadband, enterprise zones, bringing forward major development sites, opening up new employment land, and town centre regeneration<sup>3</sup>.

6. Government must work with local government and its partners to understand fully the local impacts of Brexit and the way risks, challenges and opportunities vary across the country and to ensure local authorities have the freedoms, flexibilities and resources to tackle these issues and are able to play their full part in making Brexit a success.

## **THE INQUIRY QUESTIONS**

### **What are the greatest risks, and opportunities, for local government posed by Brexit?**

7. To identify fully the risks and opportunities of Brexit for local authorities, it is necessary to understand the way in which they vary in local areas across the country. Some work has been carried out by the LSE Centre for Economic Performance<sup>4</sup>, looking at the local economic effects of both ‘hard’ and ‘soft’ Brexit by sector and identifying variations across the country depending on the spread of and dependence on sectors using an international trade model but the authors recognise the approach has limitations and can underestimate impacts in some sectors e.g. where foreign investment requirements are more important than trade barriers in determining market access. Equally, there will be and already are, impacts on areas that are particularly dependent on sectors that

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<sup>1</sup> See for example the IMF World Economic Outlook, OECD Economic Survey United Kingdom 2017,

<sup>2</sup> Chancellor of the Exchequer evidence to the Treasury Select Committee 11 October 2017

<sup>3</sup> *Local Authority Economic Development – Funding Governance & Delivery* CEDOS May 2015 and *Local Economic Development 2016* CEDOS October 2016

<sup>4</sup> *The Local Economic Effects of Brexit* London School of Economics & Political Science Centre for Economic Performance July 2017

rely significantly on EU migrant labour, both skilled and unskilled, for example, agri-food, tourism and hospitality, and health and social care. More work is needed on this by both Government and local government as for example, is being done in Cornwall<sup>5</sup>.

8. There will be some risks and opportunities that are specific to individual local areas and to individual local authorities. An example is provided by one of our members, Portsmouth City Council, where the Council owns and operates the largest municipal port in the country and is the major western channel ferry operator. There will be risks associated with any new customs rules required for ports that operate Roll on-Roll off ferries, which are designed for quick turn arounds. The impact of customs delays could be significant not only on the operation of the ferries but could also have a knock-on effect on the roads outside the port.

9. Another example provided by a CEDOS member authority is Newhaven Port in East Sussex, which provides an important route for freight movements to and from mainland Europe. Recorded data shows its significance as a route into the UK has grown over the last 4 years (over 800,000 tons of freight cargo moved and 183,000 passenger movements were recorded in 2016). Changes to border regulations risk impairing the success of the route and the county economy. East Sussex County Council has allocated circa £13 million to improve the Port Access Road from the Council's capital programme and the business case to unlock the balance of the scheme, an additional £10 million, will be submitted to Government in early 2018. The County Council is committed to investing in this scheme, which is vital to the future of the route and the county economy, providing the Government's supporting funding is assured.

10. Equally, there will be potential opportunities for individual authorities. Again, an example is provided by Portsmouth, where the City Council owns the MMD Customs Agency that could streamline import/export paperwork for businesses, which whilst being a trading cost to business resulting from Brexit, would also be an opportunity for the Customs Agency. There are likely to be risks and opportunities to individual areas and local authorities across the country but there are a number that are likely to impact more widely on local areas and as a result on local government, including: workforce and skills issues, transport, inward investment.

### ***Workforce and skills***

11. There are concerns that shortages of both skilled and unskilled workers could affect many areas. In the South East, for example, South East England Councils (SEEC) report that "many public and private sector organisations in the South East are fearful that impending skills shortages could damage productivity and harm the economy"<sup>6</sup>.

12. There are particular concerns in local areas that are dependent on sectors reliant on EU migrants such as agri-food, health and social care, construction,

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<sup>5</sup> *A Catalyst for Change - Implications, Risks and Opportunities of Brexit for Cornwall and the Isles of Scilly* Cornwall & Isles of Scilly Futures Group January 2017

<sup>6</sup> *Give councils powers to tackle skills gaps post-Brexit* Municipal Journal 2 October 2017

tourism and hospitality. In agriculture, for example, where EU migrants make up a substantial proportion of the workforce across all agricultural sectors in the UK<sup>7</sup> and where access to labour is a current, pressing concern of farmers and others in the food production sector. The industry fears that anticipated changes to immigration control ending the free movement of EU workers to the UK will result in labour shortages through the imposition of greater restrictions on the movement of unskilled labourers<sup>8</sup>.

13. In health and social care, where the House of Commons Health Select Committee has reported that some 90,000 people from EU countries work in adult social care and a further 60,000 in the NHS<sup>9</sup>, the challenges are highlighted by findings of the Nursing and Midwifery Council (NMC). The latest NMC Register reports that the number of nurses and midwives from Europe leaving the register has increased by 67%, while the number joining the register from the EU has dropped dramatically by 89%<sup>10</sup>.

14. Local authorities are affected directly by workforce issues resulting from Brexit. The majority of legislation governing employment and employee rights in the workplace stems from EU law. Local government is a major employer, and contracts with other major employers for services. Councils will want legislative reviews to provide stability in the labour market. This applies to contractual employment arrangements but also in terms of labour supply<sup>11</sup>.

15. A particular issue for local authorities is the impact on health and social care provision. As one of our members, Dorset County Council has told us "Quality service delivery of health and social care, provided directly and through commissioned services, is one of the Council's most significant functions. The uncertainty concerning rights of non-UK citizens post-Brexit and the relative weakness of Sterling have added to the longstanding challenges to recruitment and retention of suitable staff. Wage pressure on Council suppliers leads to financial pressure on commissioned services and presents challenges to delivering the Council's statutory responsibilities within current budgets".

## **Transport**

16. The capacity and efficiency of the transport network is critical to local areas being able to meet the challenges/take advantage of the opportunities of Brexit. The issue of transport impacts has been referred to already in the context of the Ports of Portsmouth and Newhaven (see paragraph 8 and 9 above). Another of our members, Hampshire County Council, highlights the need to maintain and improve the capacity of the transport network, both road and rail, including economically significant local roads which make up part of the nationally significant strategic corridors to international gateways and says that ensuring efficient access to those gateways, such as to the International Port of

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<sup>7</sup> *Agriculture and Brexit* House of Lords EU Committee May 2017

<sup>8</sup> *Migrant workers in agriculture* House of Commons Library Briefing Paper 12 June 2017

<sup>9</sup> *Brexit and health and social care— people & process* House of Commons Health Committee 25 April 2017

<sup>10</sup> *Increasing number of nurses and midwives leaving profession 'highlights major challenges faced by health and care sectors'* Nursing & Midwifery Council 2 November 2017

<sup>11</sup> Local Government Association – Briefing on Brexit December 2016

Southampton or to Heathrow Airport is likely to become more important post Brexit as the UK seeks to increase exports to markets beyond Europe.

17. In the context of Brexit, the whole issue of freight access and infrastructure requirements underlines the importance of the Sub National Transport Bodies, for example the emerging *Transport for the South East*, which has now met as a Board. We would welcome the Government's commitment to these vital sub-national bodies, which will be important to making the strategic case for infrastructure improvements to make the most of Brexit opportunities.

### ***Investment***

18. Local areas across the country benefit from inward investment. Current estimates are that nearly half of the overseas inward investment stock in the UK originates from the EU, with many European firms having UK operations that contribute substantial sums to local authorities via business rates and benefit local economies, including through increased productivity, wages, employment opportunities and technology developments. The risk is that Brexit will deter new investments from the EU and threaten existing investments by both UK and overseas owned firms.

19. Recent surveys underline the risk. A survey of foreign businesses has found that the overwhelming majority (82%) of foreign businesses say they are either "not very" or "not at all confident" that a positive outcome for the UK will be achieved from the Brexit negotiations by March 2019<sup>12</sup>. The Chartered Institute of Procurement & Supply (CIPS) said 63% of the EU companies surveyed last month said they planned to move some of their supply chain out of the UK as a result of the decision to leave the single market and customs union<sup>13</sup>. The results represent a large increase on a survey in May, when 44% of EU businesses said they were preparing to switch. The Confederation of British Industry has said that 60% of its members will have acted on contingency plans if Britain's relationship with the EU remains unclear by next March. It said 10% of firms have already started to shift some of their business overseas to protect supplies or service vital markets that could be the subject of tariffs or border controls following Brexit<sup>14</sup>. In the face of uncertainty, Government, local authorities and local enterprise partnerships must build up their efforts both to attract and support businesses from the EU and from other parts of the world.

### ***Local Government and local economic development***

20. There are many elements of Brexit which affect local government itself and the areas, communities and businesses it serves - from economic conditions to the people who make up local communities to local environments. There will be legal issues which affect councils including some, which could present post-Brexit opportunities, such as State Aids and procurement. From the standpoint of economic development, major impacts are on finance for economic development both in terms of the financial implications for local authorities of

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<sup>12</sup> Survey of members of 13 foreign Chambers of Commerce - Ipsos MORI 2 November 2017

<sup>13</sup> *EU businesses say goodbye to UK suppliers as Brexit bites into key relationships* CIPS 6 November 2017

<sup>14</sup> Guardian 7 November 2017

adverse effects of Brexit on local economies and businesses and of the loss of funding currently available from the EU.

### **Local authority finance**

21. The survey of CEDOS members for our report *Local Economic Development 2016*<sup>15</sup> underlined the central importance of local authority funding in driving local economic growth. It revealed that over 90% of the main local authority economic development actions by CEDOS member authorities relied on funding by the local authorities themselves, with most activities also being supported by external funding, in particular, from Government and the European Union.

22. However, despite the widespread priority given to economic development by member authorities across the country, it remains an unprotected area of spend and continues to be vulnerable as local authorities struggle to cope with Government cuts alongside rising demand for care for the elderly and children's services and other areas of protected spend. This was shown by the National Audit Office, which reported a reduction in budgeted spend 2010-11 to 2015-16 in the economic development service area of -47%, one of the highest reductions amongst individual service areas<sup>16</sup>. It was further underlined by our 2016 member survey, with almost half of CEDOS members reporting reductions in economic development budgets, including reductions in and withdrawal of some economic development services. At the same time, despite some initiatives e.g. the Local Growth Fund and the Regional Growth Fund, there has been a significant reduction in central government funding to support local growth since 2010/11<sup>17</sup>.

23. A major risk posed by Brexit to local authority action to drive local growth relates to the move to 100% business rate retention and withdrawal of the local authority revenue support grant. As a consequence, local government will be more exposed to potential loss of income resulting from any adverse local impacts of Brexit. Already, the devaluation of sterling has led to rising inflation and increased operating costs for local government.

### **EU Funding**

24. Funding from the EU Structural and Investment Funds (ESIF) is a major source of funding used by local authorities for economic development in their areas. The survey of CEDOS members in 2016 underlined the central importance of local authority funding in driving local economic growth, supported by Government and EU funding<sup>18</sup>. 76% referred to EU ESIF funding being used for one or more of their main economic development activity areas. In addition, over 93% of members responding to the survey said that new sources of finance were being explored, with the largest number focusing particularly on EU funding (55%).

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<sup>15</sup> *Local Economic Development 2016* CEDOS October 2016

<sup>16</sup> *The Impact of Funding Reductions on Local Authorities* National Audit Office November 2014

<sup>17</sup> See for example in *Local Authority Economic Development – Funding Governance & Delivery* CEDOS May 2015

<sup>18</sup> *Local Economic Development 2016* CEDOS October 2016

25. The CEDOS member survey was carried out before the EU referendum outcome was known. The many references to EU funding as a future funding source as well as an important source of financing existing economic development activities highlights the significance of Brexit to local economic development in terms of the funding gap that will need to be filled.

26. It has been indicated that Government is developing a 'shared prosperity fund' to replace EU funding for regeneration, but so far there is a lack of detail on what it will entail and when it will be accessible. In our view, developing this fund provides an opportunity to streamline and improve upon the often cumbersome processes of current EU funding. Submitting EU funding bids has always been notoriously time-intensive and bureaucratic. Moreover, planning, securing funding for, and delivering regeneration projects is complicated by separate EU and UK funding streams. Overall programme management and auditing of EU funded projects is also complex and time-intensive. Establishing a new 'shared prosperity fund' presents an important opportunity to avoid the problems in the existing system by creating a simple and efficient bid process and combining the fund with the Local Growth Fund.

27. The European Investment Bank (EIB) is another important source of EU finance and has invested some €42 billion in the UK over the past ten years<sup>19</sup>, whilst over the past five years, EIB long-term loans worth more €2 billion have been made where local authorities have been the counterparties or directly involved. Whilst membership of the EU is not required to access loans, it may lead to greater requirements for guarantees and potentially a more onerous application process. A spokesman for the Bank has been reported as saying that there was "clear uncertainty" about the pipeline of future loans given the unprecedented scenario where a shareholder in the bank has voted to leave the EU<sup>20</sup>.

### ***Uncertainty***

28. A major impact of Brexit for local government is uncertainty about the type of Brexit that will be agreed and whether there will be a transitional arrangement. As with businesses, local authorities, in some areas at least, are waiting for greater certainty before being able to commit resources to address the challenges of Brexit and how best to make the most of opportunities that may arise.

### **What measures should the Government take to provide more certainty and stability for local government in light of Brexit?**

29. Local authorities need greater certainty about the likely outcomes of Brexit for their areas and for the future delivery of local services and investing in local economic development and growth. As a matter of priority, Government should assess and clarify what the implications for local government and local areas will be for different Brexit deal scenarios and set out what they will do in response to these scenarios to provide local authorities with the stability they need to deliver public services for their residents, communities and businesses and the ability to

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<sup>19</sup> *Brexit and local government* House of Commons Library Briefing paper 20 July 2016

<sup>20</sup> *Brexit bites as EIB lending to locals slows* - reported by the specialist website Room 151 – 24 August 2017

take a lead role locally in meeting the challenges and taking advantages of opportunities of Brexit.

30. Government must commit to working with local government to take the necessary actions to protect local areas against adverse effects of Brexit and to ensure local government has the resources and freedom of action to meet the challenges and take advantage of opportunities. Government should:

- take steps to reverse the reduction in national funding to support local growth;
- commit to replace EU Structural and Investment Funding, with an amount at least equal to its current value with less bureaucracy and with greater freedom as to how it can be spent locally and with less demanding monitoring and evaluation processes;
- work to ensure continued and unencumbered access to European Investment Bank loans or, if this does not prove possible, to ensure access to other equivalent sources of funding;
- make a renewed commitment to localism and devolution to enable all areas of the country to maximise their potential to achieve sustainable economic growth and by, as far as possible, providing a level playing field for local authorities and their partners to pursue economic action;
- in implementing and rolling out the move to 100% business rate retention as a principal means of local government funding, make a commitment to provide the necessary support to protect local authorities, who are adversely affected financially because of the impact of Brexit on their local economies.

31. Looking at EU funding in more detail, Government should make a clear and immediate commitment to the provision of a 'shared prosperity fund' to replace EU funding for economic development and regeneration; allocate an initial phase of funding for the next 2-4 years; and consult with local government and local enterprise partnerships on how it should be deployed. Although the Chancellor of the Exchequer announced in October 2016 that local areas with existing EU funding agreements signed off by the time the UK exits the EU, will receive replacement funding once the UK leaves, Government must also commit funding to deliver important economic development projects already in the pipeline that would have been expected to receive EU funding but will not have secured it before the UK's exit. For the longer term, Government must ensure not only that economic development and regeneration funding is available that is not less than the level of current EU funding but also commit to providing a revenue stream for projects and not just capital grants.

### **What powers could be devolved from the EU directly to local authorities?**

32. We support the Local Government Association's (LGA) continued call for responsibilities repatriated from the EU not to be centralised. Local authorities have a democratic mandate to lead their communities and Whitehall should not

be the default destination for EU powers coming back to this country. We consider there is a need to renew and re-invigorate the process of devolution in England to cover all areas - both city, city-region and county areas - without imposing the unnecessary governance restriction of requiring an elected mayor. We agree with the LGA that "combined authorities with elected mayors is not the only model for devolution in England".

33. Devolution, including the opportunity for fiscal devolution, with the appropriate powers, freedoms, flexibilities and resources, will not only enable local authorities and their partners to tackle the Brexit related risks and opportunities of their local areas, it will also help to take some of the pressure off Government Departments, which are inevitably pre-occupied with Brexit.

34. We strongly support the LGA view that Brexit must lead to new legislative freedoms and flexibilities for councils so that residents and businesses benefit. It will be important that Government works closely with local government and its local partners and provides for appropriate devolution of powers in areas of policy and action, which will be critical to the UK taking meeting the challenges of and taking full advantage of the opportunities of Brexit. These include the development and implementation of the industrial strategy, infrastructure provision and promoting inward investment and exports.

35. **Industrial Strategy** - As we said in our response to the Government's Green Paper *Building our Industrial Strategy*<sup>21</sup>:

- there must be a renewed government commitment to devolution and working with all local areas. Local knowledge and understanding of business needs and investment opportunities will be essential to delivering sustained economic growth across the country;
- Local authorities and Local Enterprise Partnerships must be key stakeholders, with the crucial leadership role of democratically elected local authorities being recognised;
- Government must recognise that different parts of the country have different economic circumstances and a one-size-fits-all approach will not produce results. The industrial strategy must provide for the necessary freedoms and flexibilities to deliver effective local area action, including the ability to design the most locally appropriate institutional arrangements and governance mechanisms.

36. **Infrastructure** – There is need for devolved strategic planning powers to upper tier authorities as major infrastructure providers and to reform mechanisms for funding infrastructure so as provide more certainty about the timely delivery of infrastructure to support growth.

37. **Inward investment and exports** - Brexit will require a redoubling of efforts to promote inward investment, exports and international trade. This is another area where local knowledge and action will be critical to national success. We strongly support the pivotal role of International Trade and

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<sup>21</sup> Building our Industrial Strategy HM Government - Views of CEDOS April 2017

Investment (ITI) in this but as we said in our evidence to the International Trade Committee earlier this year:

“we believe that for ITI to be successful, there will need to be greater devolution to local areas, including devolved funding to enable a more pro-active approach to promoting trade and investment opportunities through local understanding of business strengths, key sectors and growth markets and allowing export and investment services to be tailored to meet local needs and opportunities. In our view, success for ITI will depend fundamentally on tapping local knowledge and understanding of business needs and investment opportunities”<sup>22</sup>.

38. On powers that could be devolved from the EU directly to local authorities. we would like to focus on two areas that are particularly important and on which the EU has a key role – structural and investment funding and skills and employment.

### ***EU Structural & Investment Funding***

39. In our view, a significant proportion of existing EU Structural and Investment Funding should be delegated directly to local authority control with minimum bureaucracy, greater freedom as to how it can be spent locally and with less demanding monitoring and evaluation processes. This will enable local authorities, working with their local partners, to focus funding more effectively on specific post-Brexit challenges and opportunities in their areas.

### ***Skills and employment***

40. The European Social Fund is an important source of funding for skills and employment initiatives. Brexit presents an opportunity to devolve funding for skills and employment investment with local control. This will enable better targeting and an integrated approach to training to fill skills gaps and meet the needs of both local businesses and public service providers. Local authorities, with their strong local connections and ability to bring together businesses, LEPs, schools, further education providers and technical institutes, are ideally placed to lead on this.

41. In addition, local government must have a direct involvement in the design and implementation of whatever post-Brexit policy is put in place to control migration of both skilled and unskilled workers from the EU and elsewhere and in efforts to increase the supply and employment of appropriately skilled UK workers.

### **The extent to which local government’s voice is being heard in the Brexit negotiations and how representation can be improved**

42. The LGA is playing a valuable role in representing the local government view to the Department for Exiting the European Union and through regular meetings with Ministers. At Government level, shortly before moving to become Business

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<sup>22</sup> CEDOS Evidence to the International Trade Committee’s Inquiry into support for exports and investment March 2017

Secretary on 14 July 2016, Greg Clark MP, then Secretary of State for Communities & Local Government, said "I argued successfully last week for English local government to be part of the negotiations on the terms of our exit... When we are transferring powers from the EU to Britain I think it is essential that Whitehall is not the default destination for them"<sup>23</sup>.

43. However, whilst the Chancellor of the Exchequer has met recently with three elected North of England Mayors to discuss boosting economic growth, addressing the productivity gap, playing a key role in industrial strategy and making the most of Brexit, more must be done. Government must engage fully with *all* local areas. It must ensure local government has a prominent and formal role in the Brexit process. By doing so it will increase its understanding of the risks and opportunities of Brexit and how they affect different areas across the country, which will better inform its negotiating approach.

44. We would urge Government to work with local government and keep the sector informed as negotiations develop, to allow local authorities to raise concerns and plan solutions as the full implications of Brexit become clear. To make a success of Brexit negotiations, Government must have a full understanding of the impact of Brexit on all communities and sectors. We would therefore ask that Government also consults with other organisations that work closely with local government. CEDOS stands ready to play its full part in this.

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<sup>23</sup> *Brexit and local government* – House of Commons Library Briefing Paper 20 July 2016 quoting Greg Clark's speech to the LGA Conference on 5 July 2016