

Tony Travers Presentation

Rural Services Network

Rural Conference

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Introduction – Cllr Cecilia Motley

Good morning, a very warm welcome to all of you on Day 2 of our 2nd Annual Rural Conference, organised by the Rural Services Network. Many of you hopefully were at our first, experimental somewhat, conference last year and such was the success that we thought that we must do this again, so here we are again. Actually, we could hardly be here at a more tumultuous time in our political history. I don't think anybody needs reminding that we, Rural Services Network, are a non-political organisation. We represent in terms of local government, the whole lot, District, County, Unitary councils and we provide support to them in all sorts of different ways. We are very much the voice of rural in England, in fact we are practically the only voice that speaks on behalf of rural left now and we are very conscious of our need to fulfil that role. This conference was always going to be an interesting and important one coming as it was so soon, relatively speaking, after the general election and then all of a sudden, the whole thing got thrown up into the air by the tumultuous and exciting result of the Brexit vote. The 23rd June, not sure whether it seems a minute ago or an age, but it certainly has caused us to think about how we recast this conference from our original ideas in order to really take as hard a look at Brexit and the potential effects of Brexit as we possibly can and we are of course slightly in a fog given that, just as much as everybody else is, but we are hoping that between us all we may be able to come to some sorts of conclusions.

Coincidentally, the Rural Services Network executive was meeting on the day that Theresa May became Prime Minister and it was quite obvious at that point that that meant a complete sea of change in government and what had been going on over the last few years and my goodness me here we have a complete clearout of all the ministers with whom we have been used to dealing. We have got new faces in every department, a new Chancellor of the Exchequer, a new Communities and Local Government Secretary and we have no idea as yet what they are proposing for us. So everybody I think is waiting with bated breath for the Autumn Statement but until that comes we are very much aware, at Rural Services Network, that it is essential that we impress upon government the importance of trying to promote rural fair shares. We are still heavily disadvantaged in funding terms, we are likely to continue to be so in an awful lot of cases once the business rates are repatriated. We really need to ensure that this new government understands exactly what we are dealing with in the rural areas and is actually prepared to help us. Towards economic regeneration, towards all those things that they talk about that somehow in the old days it always seemed to mean just the cities. So, we really are at a very critical moment in the history of rural and also to a certain extent in our own history for Rural Services Network and over the next few months we will be working terribly hard to make very strong representations to government about the direction that we feel they should be going with regard to rural. That is what we are here to do on your behalf and we look forward to your support in so doing.

We have to remember of course that this government still labours under the same disadvantage that the previous one did, with only a 12 seat majority and that should present opportunities for us and so we will be making as much of that as we possibly can. However, everybody is aware that the next three and a half years to the next election are going to be dominated completely by the EU exit negotiations and the aftermath thereof and although there are a few straws in the wind, we are fairly still in the dark. The new Chancellor has said that he does not seek to balance the nation's books by 2020, but we don't know what he is going to tell us in the Autumn Statement yet. We are very fortunate to have Tony Travers with us this morning and we are hoping that he may be able to just part the curtains a little bit and allow us a chink into potentially the way the government is thinking about the future. We are worried, it came out yesterday in our sessions that there is concern about the funding for EU projects in the rural areas beyond 2020, we know we should be fairly safe up until 2020, but there is considerable ambiguity on some key areas, particularly Leader about what happens post 2020 and that was thrown into even more confusion by the fact that Leader was told to just stop, it had to go into purdah, apparently for much longer than any other of the European funding programmes. It is now resuming and thank goodness it is, because it is very much needed in rural areas. So, for local government, key policy areas such as devolution and business rates retention continue, but as I say, we do not really know what is happening.

There is one thing that hasn't changed and that is our huge financial problems. The reductions in government grant and major implications for front line services, notably for social care authorities but actually affecting all tiers of rural authorities and there is maybe a little hope that the net financial benefit to the country of not having to fund our membership of the EU, which has been promised to be spent, time and again during the campaign, £350m a week goes straight into the NHS is wonderful, not going to happen of course, but in truth it's all to play for, it really is and we still don't really know how much we are going to get back anyway.

Speaker: Prof Janet Dwyer
Head of Countryside Communities Research Institute, University of Gloucester

I would like to extend a warm welcome. It is a pleasure to host this conference. I want to welcome you on behalf of the university on a whole. As a small university in the UK, we have a particular commitment to working very actively in a very engaged way with communities and partners, both within Gloucestershire but also further afield and for us the Rural Services Network represents a very important partner. I speak particularly from the perspective of my own position as Director of the Countryside and Community Research Institute here. We have got a history of nearly 30 years of working on rural issues and we do I believe understand how important it is for local networking and local communities and local actors to communicate with each other to work together on areas of common interest and to learn from each other's experiences. Because all too often in the current politics rural does not have the visibility that it really needs in a Country where so many people live in rural areas and suffer from the vagaries of rural funding as it is. The Countryside and Community Research Institute has a programme of research which is largely European funded and spans all areas of rural life and rural activity. I myself work largely on food and farming and I am very involved with the Common Agricultural policy and what might come beyond it. I have colleagues who work on knowledge and innovation, on community health and wellbeing, on specific issues like

rural broadband and rural communities renewable energy and at the moment I am working on an evaluation of the last rural development programme in England, along with ADAS, so if any of you have particular horror stories or good news stories to tell about that I would be interested to hear from you today.

Looking back, the last time I was here a year ago, we were feeling the pain of austerity and I don't think that has change significantly. We had just had the announcement about future flexibility in respect of the business rates, but as I understand that still hasn't worked its way through the system. I think since then, I have begun to see, in Gloucestershire at least, some signs of progress, certainly in respect of regeneration and economic development. I think the local enterprise partnership has really began to make a difference and I feel quite positive about that going forward for the time being, mindful of the fact that quite a bit of the funding that it is using is coming from Europe. I think also, there are other important signs of change and progress and some positivity among rural communities. Quite a lot of work with social enterprises, quite a lot of change at village level, so in a sense they are kind of showing us what is going to be important in the years ahead. We are going to enter into a very long period of uncertainty, it seems to me, because so much of central government attention is going to be focussed on the first Brexit agenda and if rural was invisible before, then the concern is that it becomes even more so in that process.

So, I think it is very important that you have made the time to come today. I hope that we can make it a very useful day of exchange and learning and I would like again to say thank you to Cecilia for your enthusiasm to come back again to Gloucester and I do hope that we can continue to develop our positive relationship together.

Cllr Cecilia Motley

Janet, thank you very much indeed for that most gracious welcome and I can assure you that we certainly very much appreciate being here and I hope that we will be back. Now I would like to introduce our keynote speaker, who I don't really think I need to introduce to you at all, Professor Tony Travers, who has probably forgotten more about local government than any of us will ever learn and we are hoping that he will be able to give us some wise words on how we pick our way through the current minefield.

Speaker: Prof Tony Travers

First, thank you very much for having me back, the second year running, it is very good to be here and I would like to thank both the Rural Services Network and the University of Gloucestershire.

Where have we got to and where are we going? Well Cecilia has more or less said it all, but it has been helpful for me trying to work out where we have got to and where we are heading and look at

some of the underlying challenges, particularly for rural areas, which are both political and obviously financial.

The EU and Britain have a complex relationship, we know that, whether we'd stayed in or whether we'd left, this relationship was always a difficult one because many people in the room will remember that the EU came out of the ashes of Europe after 1945. Britain's relationship with other parts of Europe had long been itself written by wars, alliances, breaking of alliances, we all know this. The first manifestation of how Europe felt it needed to get a grip after 1945 was the creation of the Council of Europe. The Council of Europe is not of course the EU, it continues to exist and will continue to exist. It is rather wider than the EU, got many more members and it is mainly about human rights and justice and indeed it's Court, the European Court of Human Rights is often in the press and often criticised in Britain and I think a fair number of people probably thought it had something to do with the EU, but it didn't. They were going to stay in this one.

The EU emerged out of the same underlying politics out of the desire for Europe no longer to fight these baleful wars and particularly the dreadful 1939-45 one and initially a European coal and steel community was created and indeed it's name is interesting with the benefit of hindsight, it was effectively a trading block, very much a market between France and Germany and the Benelux countries, but very much about ensuring that these major industries which built armaments were tied together in a way that gave comfort to, particularly France, Belgium and the Netherlands who had been regularly over-run and that's how it all kicked off. That became developed and formalised into the European Economic Community, what we used to call the Common Market and indeed many people still call it the Common Market, but again it's names are worth dwelling because if you listen to the debate that has just happened in the UK about Brexit, it was very much about people saying, well we didn't mind the economic bit, but we weren't sure about all the other stuff. Now I'm not going to betray my own views, but you can see how the EU did develop from these financial and opposition to war initiation processes towards a much bigger thing that required arguably more government and with government the idea of common political institutions over the period since this early start. Of course the initial countries in the EEC were France, West Germany, Italy, The Netherlands, Belgium and Luxembourg and famously the British didn't want to join when it started, then all the political parties decided that they would like to join and at that point President de Gaulle, who after all had been billeted in London during much of the 2nd World War, led the free French very bravely from Britain, then rejected UK membership twice, once in 1963 and again in 1967 and if you read on the BBC website what he said and the reasons he gave for it, he was kind of on to something. He effectively said that the British would be a disruptive force inside the EEC, but they are different, they want to do things differently, business, agriculture, everything and in a sense he was right, it turns out that President de Gaulle was spot on. Eventually de Gaulle died and the more pragmatic President Pompidou became president and he had a very different view, a good relationship with Ted Heath and negotiations took place and Britain and indeed our friends in Ireland and Denmark joined the EEC, though Norway voted against doing so interestingly, in 1973. Thereafter, Greece, then Spain and Portugal, all emerging from dictatorships joined the EU. Intriguingly, Greenland left the EU. Greenland was a territory linked to Denmark and Greenland decided to leave the EU, the only example up to now of a part of the EU leaving. What is interesting about that is that it took several years to negotiate the exit and that was mostly about fishing treaties, so there is a lesson to be learnt from that I suspect.

Beyond the EU, there was then established in 1993, which is very salient to what is about to happen, the European Economic Area, which effectively included all the EU countries and some which were not in the EU which were very similar in their own little trading block EFTA. Britain had been in EFTA before it joined the EU with the other countries that joined in 1973. The European Free Trade Association, it still exists, it has its own offices in Brussels. There will some discussions about whether we should go back into that, though I suspect that the remaining members would see Britain, which is vastly bigger than all the rest of them added together as not a very encouraging new member, a bit too big and of course the European Economic Area also includes Switzerland, which is not in the EU or EFTA. So, in this new post Brexit world, all of these little variants on what Europe means will matter. The EEA, you will all be aware of this from arriving at airports and seaports, tends to be the channel through which you can go if you are a UK passport holder and people from all these other countries treated certainly in passport terms, as if they were EU citizens although they are not in every case. Then beyond that Austria, Sweden, Finland joined, they were all neutral countries so long as the Soviet Union existed, but when the Soviet Union came to an end they all joined and then another large number of former Soviet block nations, often with much lower GDP's per head, possibly the origins of some of the problems that the Brexit vote demonstrated, joined during the 2000's to a total of 28 countries. Then of course the next big stage on the road after many alarms and excursions and treaties, Mrs Thatcher and all of that, is 2016, when on 23rd June the UK voted to leave the EU. A remarkable and momentous change, not only for the UK, but also for the EU, because the UK is bigger is Greenland and this is really the first massive setback for EU in its many years of growth since 1951. So here is the result of the referendum, these are not political in the normal red/blue sense, the blue areas are the ones that voted remain and the red areas are those that voted to leave. This slightly ignores the fact that some voted to remain by 0.1% and others to leave by 0.1%, so it is a bit binary. But it does tell us something and what it tells is that urban areas tended as a rule, particularly in the cities, voted to stay and Scotland, Northern Ireland parts of rural Wales intriguingly, and rural areas and smaller towns and cities tended to vote to leave. It's not true of everyone but as a big generality it's true. If you look by regions, and again regions are so so helpful because they all consist of a mixture, except one, of rural and urban areas, you can see that if this is just the biggest net vote one way or the other by region, it kind of ignores all the votes on the other side, but the biggest leave region by far were the East and West Midlands. Very interesting, the East and West Midlands are also the places where the traditional politics, Conservative vs Labour politics, plays out in a way that it would have been recognisable in the 60's and 70's or the 50's, still very big Conservative and Labour votes if you add them together in the East and West Midlands, smaller everywhere else and on the other side of the equations, you have got London and Scotland with by far the biggest votes the other way if you net them all out. This ignores all the other people voting nearby, it seems the biggest impact in terms of if you add all the green bars together and all the blue bars together you get one and a half million plus people voting to leave.

According to the House of Common's library, where I took this from, among the 140 local authorities that are deemed rural according to the Office for National Statistics classifications, 17% recorded a remain share bigger than 50%, 31% recorded a leave vote of 60% or more, so there is a predominant, not a massive in every case and not in all cases, but generally a vote in rural areas to leave. Out of the 181 authorities in the urban classification, 30% recorded a remain vote bigger than 50%, maybe those London Boroughs and Edinburgh, and 33% recorded a leave vote of more

than 60%, so there are plenty of urban areas that also voted to leave. We must not pretend that it was only rural areas, there are some quite big towns, particularly in the East of England, that voted to leave strongly. In the most urban category, remain took over 50% of the vote in a higher number of local authorities than leave, so broadly the more urban the place was within the urban areas, the more likely it was to vote, thus the London Boroughs, Edinburgh, Manchester and Liverpool for example all voted strongly to remain. So there is also something about cities and not cities in this, rather than rural/urban in the simple way.

This is again taken from the House of Commons library which has an excellent research document on this, which you need to get on line, it is available to anybody with a computer, and this simply area looks at the top 10 counting areas voting leave, not all of them as you will see are rural, though some of them are, intriguingly of course, Boston and South Holland in Lincolnshire, a lot of migrant workers there. Castle Point in Essex, much more urban, Thurrock is a town, clearly that is not rural, Great Yarmouth, Fenland, again back in the same area as Boston and South Holland, Mansfield, Bolsover, both in the East Midlands and East Lindsey. So there is a sort of East and rural list there predominantly. On the other side, Gibraltar, with its 95.9% remain vote, it is a slightly odd mix. Gibraltar, Lambeth, Hackney and Foyle. Foyle is a Northern Ireland county, it's actually parliamentary constituency, then London Boroughs, Haringey and Edinburgh, so it's Scotland, London and Northern Ireland. So that's all the voting.

Moving onto the key issues for agriculture and I realise that rural areas are not only about agriculture, but I thought I would just abstract this, it is from a House of Commons Library document, which is even better than I have just referenced. The House of Commons Library produces these wonderful documents, which are generally designed for MP's but they have done one on Brexit, which I printed off yesterday without looking at how long it was, but it is brilliant. Whatever interest you are in, big business, small business, urban, rural, whatever it is, whichever industry or sector, this document from the House of Commons Library, search under House of Commons Library Brexit, has a great detail about everything. I have just abstracted what the issues are for agriculture just as an example.

What they list as the main areas of uncertainty, everyone in the room involved with agriculture will know this, levels of direct financial support and rural development funding after 2020, Philip Hammond has agreed all of this to 2020, but not beyond, trade models and levels of continued access to the common market, and the question of protection from cheap imports. Very important this. The Brexit coalition included some people who were trade protectionists and others who were avid anti-trade protectionists and wanted no tariffs at all and indeed if you hear some of them, as I have heard this week, talking on TV, they all talk about opening up our markets to Africa, which is what they mean is getting rid of barriers to allow people to buy agricultural goods from Africa cheaply, so the Brexit coalition also included protectionists, people who wanted to put up barriers, so how this plays out is going to be very important, not only for agriculture, but for a number of businesses, so it is a very important argument.

The provision of market safety nets, access to labour. Now again access to labour, going back to the previous slide where I showed Boston and South Holland at the top of that list, clearly there is an issue in many rural areas about the influx of seasonal labour, but seasonal labour predated the accession countries joining the EU, so again it is a more complicated issue which I suspect many in

agriculture are going to continue to want some kind of access to seasonal labour from overseas, because if not the question of how some crops are picked and handled will become very complex.

Overall national farm policy and regulation across the devolved administrations.

Food labelling requirements, because a lot of people hoped that leaving the EU would radically change regulatory expectations, the thing is though, if we trade with the EU afterwards, we will have to adhere to all the EU's rules, so the question of what we keep and what we don't keep is very important in those terms.

Pesticides

GM Food. I understand that the EU was rather antipathetic to GM crops, whereas in Britain there was often more willingness to experiment with them, and of course what kind of future common agricultural policy farmers will be competing with, so what goes on inside the EU with the CAP, as well as what replacement we have for the CAP. Both these things can change and the way they relate to each other will be very important. As I was saying earlier on before we started, the thing about the CAP is, many British politicians, whatever their views on the EU, were never over fond of the CAP and the chances of its surviving in its current form are pretty limited. The only question is what emerges the other side.

There are areas for opportunity, it is not all areas of uncertainty and things that could go wrong, simple and more targeted approach to agricultural policy and support, possibly incentivising farmers to the Country's own priorities rather than the EU's priorities. Potential for greater deregulation and innovation outside the CAP. New trade deals, new agri-environmental schemes tailored to UK needs and environmental priorities and no disallowance fines for incorrect CAP payments, which I am sure will be popular.

How much money are we talking about here? Others in the room will know more about Pillar 1 and Pillar 2 than me. Pillar 1 is what I would call conventional, normal CAP payments, Pillar 2 has more to do with broader issues of rural life. These are 6 year figures, they are not just a single year, but what they show is, and they are expressed in Euros, which is actually nearer to the Pound than it once was, it is slightly fewer points and it has to be divided by 6 per year. They are not in the great scheme of things all of a rural area's income, of course they are not, but they are substantial for many individual areas and indeed the businesses within them. Again, as I was discussing before we started this morning, the thing with all of this is, it's not that this was the right form of agricultural support or not, I think the big issue is, everybody in England, Northern Ireland, Scotland and Wales, all the agricultural businesses and others that have received support through these kind of schemes, has built a business on the basis of them. You can say it's a good or a bad system, but they have all been the system and the question of whether we move away from them has profound implications for the business model of everybody who has lived with this system. So, the way it is done has to be fair, comprehensible and, it seems to me, predictable and that is what rural lobby needs to ensure that all of those that will be lobbying about this, including County Councils network, this organisation and others who will have a role in this, get their ducks in a line when they are making that case.

Beyond the CAP and agricultural funding there are a lot of EU structural funds and a lot was made about this during the referendum campaign. Of course not all of this, by any means, goes to rural areas, a lot of it goes to urban areas in fact, but a substantial amount does go to rural areas and particularly in Wales. Wales is a very heavy recipient of this kind of resource. So, again, the question of how this is replaced after 2020, or if it is replaced, civil servants that I have spoken to think that it will disappear because a lot of it is capital funding, so if it disappears, there just won't be new projects coming online, rather than day to day funding.

This was referred to earlier as well, because of Brexit, a major reorganisation of Whitehall. Privately, if you look at this it's going to be an expansion of Whitehall. So we have a new department, a Department for Exiting the EU, a Department for International Trade and the Foreign Office, which of course has long existed, but is now fighting a turf war not to lose too many of its officials to go into the first two of these departments. Absolutely classic Yes Minister stuff!!

Whatever you think about leaving the EU or whether we should have remained in the EU, one thing you can be sure about is that there will be an epic turf war between the civil servants protecting their interests and new ministers protecting theirs and some of this has already emerged into the press. The more you see the 3 Brexit ministers, David Davis, Boris Johnson and Liam Fox together on the front bench smiling at each other, probably the worse you know it is!! Teresa May has put them all there to push it through, very interesting and I'll come back to that in a moment.

We have a new department for Business, Energy and Industrial Strategy, even its name is interesting, Industrial Strategy. Conservative Government, Industrial Strategy, sounds like the kind of thing that George Brown, forget Gordon Brown, would have come up with back in the 1960's! What is interesting about this is it is led by Greg Clark, who is a Kent MP, is that it will have to work with the Department of International Trade, because the Department of International Trade in theory will be determining our new trading links with the rest of the world, but actually, the way that plays out will have the precise effect industry by industry and therefore area by area within the Country. These 2 departments will have to work together and actually I think the PM has said that the department for exiting the EU, DEXEU as it known, will be taking the lead in trade negotiations, so you can see how much potential there is here for Whitehall departments trampling on each others' toes. Anybody here in Local Government, forget the EU for a moment, will know that trying to get the Home Office and DCLG and any other part, the Department of Health, to work together on anything is like pushing water uphill with a rake. Now, that's on trying to do things that we broadly agree on, like getting a better policy on flooding or something, so this is really serious stuff. So Yes Minister you should watch more of to see how this is going to be!

The Department for International Development is a pre-existing department, but crucially it too has a role in all of this because the Government has said that it wants to use our international development cash, which is a substantial and growing amount, to incentivise other countries to do trade deals.

The Department for Environment, Food and Rural Affairs, again pre-existing, but for reasons that I do not need to explain here, enormously important in working with these other departments in getting the new trading rules and CAP type replacement rules right.

The Cabinet office and the Treasury; you wouldn't normally put them at the bottom of a list, but in terms of the amount of reorganisation, these are absolutely key both to Brexit and they have been reorganised. The Cabinet and the Treasury are always important and Philip Hammond has been saying he, as the Chancellor, wants to negotiate financial and business services deals with the rest of the World, so that is another department involved in negotiation with the rest of the World. This will be complicated.

The ministers who I have covered politically here, yellow for leave and blue for remain. What the Pm has done is to put David Davis, Liam Fox and Boris Johnson all pro-Brexit ministers in the departments that will be most concerned with exiting the EU and also Priti Patal and Andrea Leadsom in the International Development and Environment, Food and Rural Affairs departments, this is no accident! You don't need to be a Whitehall observer to know that this is not an accident. So all these ministers now are being told in effect, you sort this out, you do it. Whereas Greg Clark, who was a remain minister, the Cabinet Office minister, the PM herself and David Lidington and Philip Hammond at the Treasury were remainers and they have in a sense, the easier job of just running the economy in the normal way, making the business of government function and getting the industrial strategy going, I lightly put that that way. Books will be written about the very process of putting all this together and how it all worked at the time, they will be writing them as we speak. So, it seems to be for anybody with an interest in rural Britain, rural England, Scotland and Wales in mind, how to target messages to these departments when they are involved in all this creating themselves and so on is very important. County Councils Network, which I mentioned earlier, I think Cecilia you are involved with the CCN, very important, because the CCN has actually latterly been quite powerful, it has shown itself as capable of stopping the Government doing things and I do think that organisations such as the RSN, but also the CCN, will simply have to demand a place at the negotiating table, otherwise it all goes through by default and there is so much politics and personal politics and ideology tangled up in Brexit. On both sides, Brexit means Brexit on one side, we going to stop it one way or another on the other side, but there is always going to be a risk that rationality is the loser, so having a powerful voice for rural interests, because you can be sure that industries will have a powerful voice and the financial services industry in cities and so on is most important.

Where are we heading? David Davis made a long statement on Monday this week in the House of Commons, which I think was big on optimism and not that big on detail yet, but he reiterated what we sort of knew from Philip Hammond, we want to ensure certainty when it comes to public funding, Chancellor has confirmed structural and investment fund projects signed before the Autumn Statement and research and innovation projects financed by the European Commission granted before we leave the EU will be underwritten by the Treasury, that's taking us to 2020 anyway. Agriculture is a vital part of the economy and the Government will match the current level of annual payments the sector receives through the direct payment scheme to 2020, providing certainty at least until then and, in terms of the position of the EU nationals in the UK, the PM has been clear that she intends to protect the status of EU nationals already living here and the only circumstances in which that would not be possible is if British citizens' rights in the European member states were not protected in return. Now, you can see that's a bit of bargaining so we will have to see how this turns out, but beyond this the statement was pretty broad, to put it delicately.

Detail is very limited, there is an inter-departmental struggle over which of them does what in relation to the Brexit negotiations, I have already made that point. The PM's visit to the G20 meeting last weekend suggested that she is going to have to do a lot of the key negotiations. In the end it is going to be PM's, heads of government doing these deals. Some of them are so big, they will have to be resolved at the very top. If you remember all the tortured relations between Britain and the EU over many years, how often it meant David Cameron, Mrs Thatcher or Gordon Brown or Tony Blair had to go and sort things out, so there is going to be a massive pressure on the PM, certainly with the big countries.

Major investors in the UK have much power. One of the most interesting interventions since the 23rd June it seems to me, is the one that came this week from Japan. Japan, famously discreet in terms of its diplomacy, simply effectively said to the British government, if you stripped everything out of it, either we want access to the Common Market, the single market, and we want access to European labour or we won't invest here. That is quite brutal and I think we will see other big countries, not in the EU in this case, making a similar point and that is going to be something that the British negotiating teams have to think through very carefully, because, given so much of the Brexit vote was about controlling immigration, if countries like Japan are saying well we are only going to continue to invest in Britain if we have access to European migrants, the question of how that circle is squared is very difficult. Many businesses beyond the Japanese government want continued access to the EU single market and freedom of movement, in fact if you talk to business lobbies, they are almost all in favour of carrying on regardless, again something the Government is going to have to come to terms with, but most of the pro-Brexit ministers and voters clearly want less immigration and I think would genuinely sacrifice freedom of movement even if it lead to worse trade terms. That's the deal that will have to be struck and you can see in this, the problem for those who are strongly in favour of Brexit, is that any compromise is against their point of view. There will be lots of accusations of this isn't proper Brexit, this is letting the side down, because the further we move away from really tight controls over immigration, which we will, it will be seen as somehow a betrayal of the vote. Mrs May is going to have to handle all of this, it is going to be most interesting for all of us watching, we are all on the outside and the inside of this. As I said a moment ago, the impacts vary enormously from region to region. Think about Northern Ireland's border. I know Northern Ireland is not in Britain, but it is in the United Kingdom alright, it has an open border with Ireland. There are roads in Northern Ireland that weave in and out of the Irish border several times in about 10 miles. It would be like driving here to Gloucester and passing through another country 3 or 4 times. That border is open, everybody wants it to remain open, the Government is now committed to keeping it open and yet it will become a border between the EU and the UK, which is not in the EU. It can be done, there are lots of places like Andorra, San Marino and more uncomplicatedly Monaco, which have open borders with the EU and which are not in it. Indeed the Isle of Man and the Channel Islands are not in the EU, they are not in the UK either, but they have complete freedom of movement without passports with the UK. So, when David Davis says it is going to be a unique deal, it really is going to be a unique deal. Northern Ireland's border and of course London, I know we are at a rural conference, but London's dependence on migrant labour is to the extent of 40% of everybody working in London was born outside of the UK, so if that number fell, the London economy would have to shrink fast, or it would suck people in from the rest of the UK, which I doubt anybody thought was going to happen as a result of Brexit, so again all of this has to be managed. Any of the regions that are not Northern Ireland or London, the way in

which each trade deal is structured will effect, so if you're in the North East of England then there is no doubt that questions of free access to the European market is enormously important if you're in petrochemicals and so on. In other parts of the Country it is migrants that is more important and it will vary from place to place.

Article 50. The famous Article 50. This has to be triggered under the Treaty of Lisbon. The way in which a country leaves the EU is laid out in the Treaty of Lisbon of 2009 and this requires the country to formally invoke the Article 50 process and there is a 2 year time period after that within which everything has to be done. This creates lots of chicken and egg challenges, because Mrs May has been absolutely clear that she wants to have a negotiating position in place before triggering Article 50, when most of the people in the EU are saying, no we want you to trigger Article 50 and then we will have negotiations. On the radio this morning, the Australians, interestingly, with whom Mrs May had made some kind of progress at the G20 meeting, they too were saying that they will not be able to strike a new trade deal with the UK until it had left the EU, so there is a lot of chicken and egg in all this. How we get our position right before we trigger Article 50, so we know where we are going when so many other countries are going to say, no trigger it then we do negotiations. The 2 year period can be extended, but only if all the countries in the EU vote for it and with 27 of them without Britain it is not going to be easy to do that.

So every sector and every region within the UK will want to be represented in these negotiations and David Davis was clear that he wants to speak and consult and the trouble with consultation in British Government is it can go on a long time, you can never tell in Britain whether consultation is the step towards doing something or is a step towards not doing something. And of course, as I say, other countries seem to want to get on with it sooner. Of course, beyond all of this, there is a dispute within the UK as to whether parliament should have a vote on Article 50. A legal case is being drawn up, which personally I do not feel will get very far, but a legal process is being drawn up to say Parliament should vote on whether or not we should trigger Article 50, whereas Government, who believe Brexit is Brexit, say no no, this can be done under the royal prerogative, Henry the 8th and all that, and the PM can do this without going to parliament. That debate is going to come up again and again as elements of the Brexit package are negotiated.

What are the short term impacts? Well, fall in the value of the Pound, good for tourism, especially in London, which has seen big uptakes in tourism already. An increase in overseas purchase of UK firms and London property, I am not sure that is necessarily what everybody wanted, and a possible narrowing in the balance of the trade gap, although there is no evidence of that yet. We do have a balance of payments problem in Britain. There has been a cut in interest rates and more printing of money, or quantitative easing, as it's optimistically described by the Bank of England, to try to keep the economy motoring. There was a big fall in industrial and indeed service confidence in July, followed by an equal and opposite rise in August. John Maynard Keynes famously said of the stock market, if farmers behaved like the stock market, they would sell the farm in the morning when it was raining and then buy it back in the afternoon when the sun came out and there is an element of that about confidence not only in the stock market and beyond, so we are almost back to where we started from in terms of confidence of business, both services and industrial by August.

There has been an apparent rise in tax and abuse aimed at EU migrants and not only EU migrants as a result of the Brexit vote. We are not blaming anyone who voted Brexit for that, it is something that has happened and I think it will probably die back down again, but it was revealing that it did happen. I think many people think that we are in a phoney war period, that is nothing has happened, we are still in the EU, not a single trading negotiation has occurred, all the tariffs and so on are the same, so it is a sort of phoney war period akin to that which occurred after the declaration of war in the UK in 1939. The longer term in fact, the likelihood that the UK will strike a different deal with the EU than Norway, Switzerland or Canada, it will be a unique deal, it will have to look unique, but the inevitability of compromised trade and immigration deals that fall short of what the leave voters hoped for, I have just made that point, I don't see how it can be otherwise, many many years of civil service expansion and negotiation, good time to be a consultant! The consultancies will be coining it, all the big consultancies will be pushing people into government, they will be bought out at thousands of pounds per day, you can be sure of it, then there will be a why has it cost so much scandal inevitably.

Of course it is very hard to disentangle Brexit impacts from everything else that is going on. What is the consequence of Britain joining the EU in 1973? Nobody really knows. It is hard to work it out because so many other things have gone on in the meantime. So, it will be difficult, but by common consent, whatever the impacts are, it is going to be probably 20 or 30 years before it can be fully worked out, so you look at trend growth in the UK, compared with trend growth in the rest of the EU before and after Britain left. That would be some kind of a test, but we would not be able to do that now, or in 5 years or in 10 years, it is going to take a very long time.

That was all I was going to say about Brexit, but Cecilia made the point about the rest of domestic policy and so I will just say a couple of words about that before I stop.

This is going to predominate in terms of the Queen's speech, successive Queen's speeches, whatever the government does for several years to come. That doesn't mean that won't be other things to do, cutting the deficit, though that has been put on hold for a number of years, devolution, which we discussed last year. As far as we know devolution is still going ahead, as is business rate reform and indeed the end of grants to local government, but nobody has actually said it yet within the new government and I notice that overnight, yesterday, anybody hear from Northumberland or Durham? The North East combined authority initiative has effectively faltered, with three authorities, including Northumberland, voting to continue, but those south of the river voting effectively to stop it, so the North East combined authority is not going to go ahead, at least not in the form that was previously expected. Now question whether the UK government will be willing to negotiate with the North East a different package from those in Greater Manchester and elsewhere and those that you are going to discuss later in some of the county and district areas, I don't know, because we do not know what government policy is going to be about this either. One of the most intriguing things to me about the period since 23rd June is how little actual announcement there has been. There has been a great deal about Teresa May as her own person and she is clearly her own person, but not much about David Cameron and George Osborne did this, are we going to continue with it, or are we going to do something else? In domestic policy I think that is more visible, perhaps even in the Brexit one and that's pretty uncertain too.