

AGENDA

Meeting **EU Exit Working Group**
Date **Thursday 25 October 2018**
Time **11.00 am**
Place **Committee Room 5, City Hall, The
Queen's Walk, London, SE1 2AA**

Copies of the reports and any attachments may be found at
www.london.gov.uk/eu-exit-working-group

Most meetings of the London Assembly and its Committees are webcast live at
www.london.gov.uk/mayor-assembly/london-assembly/webcasts where you can also view past meetings.

Members of the Working Group

Len Duvall AM (Chair)

Gareth Bacon AM (Deputy Chairman)

Caroline Pidgeon MBE AM

Caroline Russell AM

Peter Whittle AM

A meeting of the Working Group has been called by the Chair of the Working Group to deal with the business listed below.

Ed Williams, Executive Director of Secretariat
Wednesday 17 October 2018

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Lauren Harvey, Committee Assistant; Telephone: 020 7983 4383
Email: lauren.harvey@london.gov.uk; Minicom: 020 7983 5526

For media enquiries please contact Alison Bell, External Relations Manager; Telephone: 020 7983 4228; email: alison.bell@london.gov.uk. If you have any questions about individual items please contact the author whose details are at the end of the report.

This meeting will be open to the public, except for where exempt information is being discussed as noted on the agenda. A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photography, social media and other means is available at www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf.

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Certificate Number: FS 80233

Agenda
EU Exit Working Group
Thursday 25 October 2018

1 Apologies for Absence and Chair's Announcements

2 Declarations of Interest (Pages 1 - 4)

Report of the Executive Director of Secretariat

Contact: Lauren Harvey, lauren.harvey@london.gov.uk, 020 7983 4383

The Committee is recommended to:

- (a) Note the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, as disclosable pecuniary interests;**
- (b) Note the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s); and**
- (c) Note the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at Agenda Item 2) and to note any necessary action taken by the Member(s) following such declaration(s).**

3 Minutes (Pages 5 - 64)

The Working Group is recommended to confirm the minutes of the meetings of the EU Exit Working Group held on 18 October 2017 and 19 October 2017 to be signed by the Chair as a correct record.

The appendices to the minutes are attached for Members and officers only but are available from the following area of the Greater London Authority's website:

<https://www.london.gov.uk/about-us/london-assembly/london-assembly-committees/eu-exit-working-group>

4 Question and Answer Sessions with the Mayor of London on the possible effects of a "no deal" Brexit on London, followed by John Barradell, Chair of the London Resilience Local Authorities' Panel (Pages 65 - 68)

Report of the Executive Director of Secretariat

Contact: Richard Derecki, richard.derecki@london.gov.uk, 020 7983 4899

The Working Group is recommended to:

- (a) Note the report as background to putting questions to the Mayor of London;**
- (b) Note the report as background to putting questions to John Barradell, Chair of the London Resilience Local Authorities' Panel and Chief Executive of the City of London Corporation; and**
- (c) Note the subsequent discussion.**

5 Date of Next Meeting

The next meeting of the EU Exit Working Group is scheduled for Tuesday 30 October 2018 at 3.30pm in the Chamber.

6 Any Other Business the Chair Considers Urgent

Subject: Declarations of Interests

Report to: EU Exit Working Group

Report of: Executive Director of Secretariat

Date: 25 October 2018

This report will be considered in public

1. Summary

- 1.1 This report sets out details of offices held by Assembly Members for noting as disclosable pecuniary interests and requires additional relevant declarations relating to disclosable pecuniary interests, and gifts and hospitality to be made.

2. Recommendations

- 2.1 **That the list of offices held by Assembly Members, as set out in the table below, be noted as disclosable pecuniary interests¹;**
- 2.2 **That the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s) be noted; and**
- 2.3 **That the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at below) and any necessary action taken by the Member(s) following such declaration(s) be noted.**

3. Issues for Consideration

- 3.1 Relevant offices held by Assembly Members are listed in the table overleaf:

¹ The Monitoring Officer advises that: Paragraph 10 of the Code of Conduct will only preclude a Member from participating in any matter to be considered or being considered at, for example, a meeting of the Assembly, where the Member has a direct Disclosable Pecuniary Interest in that particular matter. The effect of this is that the 'matter to be considered, or being considered' must be about the Member's interest. So, by way of example, if an Assembly Member is also a councillor of London Borough X, that Assembly Member will be precluded from participating in an Assembly meeting where the Assembly is to consider a matter about the Member's role / employment as a councillor of London Borough X; the Member will not be precluded from participating in a meeting where the Assembly is to consider a matter about an activity or decision of London Borough X.

Member	Interest
Tony Arbour AM	
Jennette Arnold OBE AM	European Committee of the Regions
Gareth Bacon AM	Member, LB Bexley
Shaun Bailey AM	
Sian Berry AM	Member, LB Camden
Andrew Boff AM	Congress of Local and Regional Authorities (Council of Europe)
Leonie Cooper AM	Member, LB Wandsworth
Tom Copley AM	Member, LB Lewisham
Unmesh Desai AM	
Tony Devenish AM	Member, City of Westminster
Andrew Dismore AM	
Len Duvall AM	
Florence Eshalomi AM	
Nicky Gavron AM	
Susan Hall AM	Member, LB Harrow
David Kurten AM	
Joanne McCartney AM	Deputy Mayor
Steve O'Connell AM	Member, LB Croydon
Caroline Pidgeon MBE AM	
Keith Prince AM	Alternate Member, European Committee of the Regions
Caroline Russell AM	Member, LB Islington
Dr Onkar Sahota AM	
Navin Shah AM	
Fiona Twycross AM	Deputy Mayor for Fire and Resilience; Chair of the London Local Resilience Forum
Peter Whittle AM	

[Note: LB - London Borough]

3.2 Paragraph 10 of the GLA's Code of Conduct, which reflects the relevant provisions of the Localism Act 2011, provides that:

- where an Assembly Member has a Disclosable Pecuniary Interest in any matter to be considered or being considered or at
 - (i) a meeting of the Assembly and any of its committees or sub-committees; or
 - (ii) any formal meeting held by the Mayor in connection with the exercise of the Authority's functions
- they must disclose that interest to the meeting (or, if it is a sensitive interest, disclose the fact that they have a sensitive interest to the meeting); and
- must not (i) participate, or participate any further, in any discussion of the matter at the meeting; or (ii) participate in any vote, or further vote, taken on the matter at the meeting

UNLESS

- they have obtained a dispensation from the GLA's Monitoring Officer (in accordance with section 2 of the Procedure for registration and declarations of interests, gifts and hospitality – Appendix 5 to the Code).

3.3 Failure to comply with the above requirements, without reasonable excuse, is a criminal offence; as is knowingly or recklessly providing information about your interests that is false or misleading.

- 3.4 In addition, the Monitoring Officer has advised Assembly Members to continue to apply the test that was previously applied to help determine whether a pecuniary / prejudicial interest was arising - namely, that Members rely on a reasonable estimation of whether a member of the public, with knowledge of the relevant facts, could, with justification, regard the matter as so significant that it would be likely to prejudice the Member's judgement of the public interest.
- 3.5 Members should then exercise their judgement as to whether or not, in view of their interests and the interests of others close to them, they should participate in any given discussions and/or decisions business of within and by the GLA. It remains the responsibility of individual Members to make further declarations about their actual or apparent interests at formal meetings noting also that a Member's failure to disclose relevant interest(s) has become a potential criminal offence.
- 3.6 Members are also required, where considering a matter which relates to or is likely to affect a person from whom they have received a gift or hospitality with an estimated value of at least £25 within the previous three years or from the date of election to the London Assembly, whichever is the later, to disclose the existence and nature of that interest at any meeting of the Authority which they attend at which that business is considered.
- 3.7 The obligation to declare any gift or hospitality at a meeting is discharged, subject to the proviso set out below, by registering gifts and hospitality received on the Authority's on-line database. The on-line database may be viewed here:
<https://www.london.gov.uk/mayor-assembly/gifts-and-hospitality>.
- 3.8 If any gift or hospitality received by a Member is not set out on the on-line database at the time of the meeting, and under consideration is a matter which relates to or is likely to affect a person from whom a Member has received a gift or hospitality with an estimated value of at least £25, Members are asked to disclose these at the meeting, either at the declarations of interest agenda item or when the interest becomes apparent.
- 3.9 It is for Members to decide, in light of the particular circumstances, whether their receipt of a gift or hospitality, could, on a reasonable estimation of a member of the public with knowledge of the relevant facts, with justification, be regarded as so significant that it would be likely to prejudice the Member's judgement of the public interest. Where receipt of a gift or hospitality could be so regarded, the Member must exercise their judgement as to whether or not, they should participate in any given discussions and/or decisions business of within and by the GLA.

4. Legal Implications

- 4.1 The legal implications are as set out in the body of this report.

5. Financial Implications

- 5.1 There are no financial implications arising directly from this report.

Local Government (Access to Information) Act 1985	
List of Background Papers: None	
Contact Officer:	Lauren Harvey, Committee Assistant
Telephone:	020 7983 4383
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MINUTES

Meeting: EU Exit Working Group
Date: Wednesday 18 October 2017
Time: 11.00 am
Place: Chamber, City Hall, The Queen's Walk, London, SE1 2AA

Copies of the minutes may be found at:
www.london.gov.uk/eu-exit-working-group

Present:

Len Duvall AM (Chair)
Gareth Bacon AM (Deputy Chairman)
Sian Berry AM
Caroline Pidgeon MBE AM

1 Apologies for Absence and Chair's Announcements (Item 1)

- 1.1 Apologies for absence were received from Peter Whittle AM and Caroline Russell AM, for whom Sian Berry AM attended as a substitute.
- 1.2 The Chair welcomed to the public gallery students from Collège Paul Landowski, in Boulogne-Billancourt, Paris.

2 Declarations of Interests (Item 2)

2.1 Resolved:

That the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, be noted as disclosable pecuniary interests.

3 Minutes (Item 3)

3.1 Resolved:

That the minutes of the meeting of the EU Exit Working Group held on 19 July 2017 be signed by the Chair as a correct record.

4 Summary List of Actions (Item 4)

4.1 The Committee received the report of the Executive Director of Secretariat.

4.2 Resolved:

That the completed actions arising from a previous meeting of the EU Exit Working Group be noted.

5 The Future of European Structural and Investment Funds in London (Item 5)

5.1 The Committee received the report of the Executive Director of Secretariat as background to putting questions to the following invited guests:

- Rt. Hon Lord Heseltine of Thenford CH;
- Alex Conway, European Programme Director, Greater London Authority;
- Despina Johnson, Chief Executive, Enterprise Enfield;
- Lisa Redding, Acting Chief Executive, London Voluntary Service Council; and
- Kris Krasnowski, Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy.

5.2 A transcript of the discussion is attached as **Appendix 1**.

5.3 Resolved:

That the report and discussion be noted.

6 Date of Next Meeting (Item 6)

6.1 The next meeting of the Working Group was scheduled for Thursday 19 October 2017 at 11am in Committee Room 5, City Hall.

7 Any Other Business the Chair Considers Urgent (Item 7)

7.1 There was no urgent business.

8 Close of Meeting

8.1 The meeting ended at 12.50pm.

Chair

Date

Contact Officer: Laura Pelling, Principal Committee Manager; Telephone: 020 7983 5526
Email: laura.pelling@london.gov.uk; Minicom: 020 7983 5526

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EU Exit Working Group Meeting – 18 October 2017

Transcript of Agenda Item 5: The Future of the European Structural and Investment Funds in London

Len Duvall AM (Chair): Now we have item 5, on the future of European Structural and Investment Funds (ESIF) in London. We are joined by a number of guests, if I can introduce them: Alex Conway, European Programmes Director at the Greater London Authority (GLA); Despina Johnson, Chief Executive of Enterprise Enfield; Lisa Redding, Acting Chief Executive of the London Voluntary Service Council; and Kris Krasnowski, Deputy Director of London and East Cities and Local Growth Unit at the Department for Business, Energy and Industrial Strategy (BEIS). We welcome you here. We will be joined by The Rt Hon. Lord Heseltine CH as we go through.

Gareth Bacon AM (Deputy Chairman): We were going to start with a national focus, which would obviously go to Lord Heseltine, but because he is not here we are drilling into London now. The first question, really, is to Alex [Conway], which is around the use of the ESIF in London. How much funding has been allocated for the current funding round, which I believe is 2014 - 2020, and how much does the ESIF support mayoral priorities?

Alex Conway (European Programmes Director, Greater London Authority): The programmes are worth about £600 million over those seven years. We typically talk about the programmes being worth well over £1 billion because they are matched by funding from other sources, which can be public or private.

Of that £600 million, the funding is split between two funds. There is the European Regional Development Fund (ERDF). That is the smaller one, worth about £160 million. Most of that funding has been committed. We have a call out at the moment, an open competitive process for which projects can bid, for about £20 million. If all of that funding is committed, that will be the end of it. We are about 85% committed for ERDF, where the funding is mostly committed through open competitive bidding rounds. We also have financial instruments, loan and equity funds. We will come on to that later.

The European Social Fund (ESF), the larger fund, is worth about £450 million. Most of that money goes to skills and employment programmes, which are match-funded by public sector bodies: the Education and Skills Funding Agency, the Department for Work and Pensions (DWP), the Big Lottery Fund, and Her Majesty's Prison and Probation Service. We have some directly funded projects as well, which we might hear a bit about later. Approximately half of that funding has been committed. That is where we would expect to be because, if this was a normal programme with no Brexit happening, funding is normally committed in three-year tranches. One key question for us now is whether these co-financing organisations will commit to another three-year tranche so that we can get all of the funding out of the door. It is not possible, or it would not be practicable, in London to give all that money out in penny packets. There is still a couple of hundred million pounds left to commit there.

Gareth Bacon AM (Deputy Chairman): With the outcome of the referendum last year, are you anticipating any problems in the co-funding taking place for the next three years? The first three years you have just described as being committed. Are you expecting any problems going forward?

Alex Conway (European Programmes Director, Greater London Authority): It certainly does not seem clear at the moment. Again, as you may be aware, the Government has said that we can commit funding until

the point of Brexit and so the end of March 2019. Whether that means in practice as 2018 progresses into 2019 that we will literally be able to sign gigantic contracts the day before we are due to leave remains to be seen, but that is what the Government has said.

In practice, we are seeing some problems now with co-financing organisations. The DWP is making attempts to encourage co-financing organisations to sign up again, and certainly it is the case at the moment that we are in the area where they are saying things like, "We can extend some of our current programmes a little longer", but it is not clear what the final outcome will be.

Gareth Bacon AM (Deputy Chairman): A question to Lisa and Despina, then. What type of European funding does your sector receive from the EU, whether it is ERDF or ESF, and how much is it worth in the current funding period for you?

Lisa Redding (Chief Executive, London Voluntary Service Council): I represent the voluntary community and social enterprise sector in London and our sector mostly gets the ESF. The ESF invests in education, training and employment support and it is specifically targeted at those most removed from the labour market. This includes young people, particularly those who are not in education, employment or training (NEET), the long-term unemployed, people facing complex barriers to employment, those suffering from long-term physical or mental health conditions, prisoners, prison leavers and ex-offenders. It is difficult to estimate exactly how much of the £422 million ESF allocated to London will reach my sector because of the way it is commissioned out. It is commissioned through a prime contractor model, where you have a prime contractor who holds a large contract and then they subcontract the delivery down to other organisations. I would find it very hard to estimate exactly how much, but it would probably be in the region of getting up to £300 million¹ (See footnote) of the ESF that will come down to the sector in some way or another.

Gareth Bacon AM (Deputy Chairman): Is that your sole source of funding?

Lisa Redding (Chief Executive, London Voluntary Service Council): No, the sector gets funding from a large variety of places. Local authorities are still one of the biggest funders of the voluntary sector. In London, we are lucky to have some big trusts and foundations that provide a great deal of support for the sector. Larger organisations are involved in public sector contracts and do public sector delivery of various types and there is also still a lot of individual giving which supports the sector. It is quite a broad range.

Some organisations that take on large ESF commissions do become very dependent on them. It becomes their primary business. To see the withdrawal of that funding is likely to have quite an effect on a number of organisations.

Gareth Bacon AM (Deputy Chairman): Is it possible to say within rough proportions how much that makes up as a proportion of overall funding going into the London Voluntary Service Council (LVSC)?

Lisa Redding (Chief Executive, London Voluntary Service Council): I could not do that, sorry. It is very difficult to get any kind of estimate about how much funding goes into the sector at all. London Funders, which is the membership body for funders of the sector in London, have been trying to get a figure for it for years and it is still very difficult to actually calculate who is giving what into the sector.

Despina Johnson (Chief Executive, Enterprise Enfield): In Enterprise Enfield, we have an allocation this year or in this round of £550,000 ERDF, which we are matching, and that is to run a women's programme. That is for helping women to start up in business in London and also to grow existing early-stage businesses.

¹ In the region of £125million – clarified by Lisa Redding following the meeting

It is particularly targeted at disabled women, women over the age of 50 and also black and ethnic minority women. It is quite vital for that kind of work.

Longer term, when we look back into our funding history, it has been quite vital for us. Over the last nine years we have been involved with five programmes and not necessarily with us as the lead. We have worked with other partners as well. There has been a total of £2.7 million ERDF that has been allocated through those programmes and they have helped us to work with businesses, to help with export, environmental management systems, raising finance and also to find opportunities in the retrofitting market, and so they have always addressed market failure. For enterprise agencies, it is quite a vital source of income for working with small and medium enterprises (SMEs) and particularly in the outer boroughs as well. We are able to work with those smaller SMEs that it is hard for other organisations to reach.

Gareth Bacon AM (Deputy Chairman): I asked Alex [Conway] in the opening question what he expected to happen in the next three years and whether there will be a sudden speeding up of spending of what is currently in the pot. Have you noticed any impacts in your sectors since the referendum last year in terms of assumptions, really, that your organisations and groups are making?

Despina Johnson (Chief Executive, Enterprise Enfield): The other enterprise agencies - I am part of a consortium called Business for London - are all really keen to have this funding. They are used to having ERDF for the work that they do. We are hoping that it is going to be replaced because, with Brexit coming, it is the challenges that businesses are going to have to face and they are going to have to start some really serious planning and making decisions, but they need information to do that. They are going to continue to need support.

Lisa Redding (Chief Executive, London Voluntary Service Council): I was going to say that one of the most important things, particularly for our sector, which always exists, is that we always find it very difficult to plan because we are never quite certain where our funding is coming from. One of the problems with this situation we have at the moment is just the lack of clarity about what is going to happen going forward and so it is very difficult to plan.

Of course, that also has the impact on all the people that our organisations support. What we also have to remember is the effect that losing this funding will have on the communities of London.

Gareth Bacon AM (Deputy Chairman): Are people making plans assuming anything, assuming that the Government will continue the funding or assuming that it will be gone?

Despina Johnson (Chief Executive, Enterprise Enfield): They are finding alternative sources of funding for this work. For us in the consortium, what we have tried to do is to work together more closely and start to find some areas that we feel are working very well and see if we can start talking to the boroughs about trying to fund projects because we all have a local reach and we want to make sure that we can work more closely with local authorities. If they value the work that we are doing, they will fund it. We are aware that local authority budgets are shrinking. There may be potential with areas like Section 106 [of the Town and Country Planning Act, 1990] if it is appropriate, but it is very difficult. There is very little money and there are a lot of competing priorities, but there still has to be investment in SMEs. That cannot be ignored.

Gareth Bacon AM (Deputy Chairman): Alex, which mayoral priorities would be most at risk if ESF funding was withdrawn and not replaced by the Government?

Alex Conway (European Programmes Director, Greater London Authority): Quite a few, I would say. If you look at the programmes managed from City Hall relating to skills, employment, enterprise, environment, low-carbon schemes, they all receive substantial amounts of EU funding both for projects managed by the GLA and organisations and the GLA family like London & Partners and organisations like Despina's and those represented by Lisa. Going back a few years you had Regional Development Agency funding. When that was abolished, there have been local enterprise partnership (LEP) funding streams. Some of the work Lord Heseltine did with the last Government recommending more funding for those has helped to pick up some of that slack.

However, while it is important - we should maybe say this from the start - from the EU's perspective, European funding is always considered as additional to that provided by governments. It is not the job of EU funding to fund hospitals, schools and other things seen as essential but for these important additional areas of funding. However, what we have seen over time in London and perhaps the United Kingdom (UK) more widely is a bit of an erosion of the sources of match funding for this EU funding and now the EU funding itself is at risk.

Gareth Bacon AM (Deputy Chairman): It is highly likely that when we report at the end of the work of this Committee, we will be making a recommendation to the Government that the Government replaces the funding that would be lost as we leave the EU. Have you been doing work building that up on behalf of the Mayor's office?

Alex Conway (European Programmes Director, Greater London Authority): Yes. There is a lot of work going on with this and, if you have been keeping an eye on the Mayor's press notices and so on, you will see repeated calls for devolved replacement domestic funding of at least the value of the current EU programmes and at least a level of devolution of the current EU programmes. There was a meeting last week of the Mayor and council leaders, the congress, and one of the outcomes of that was that the Mayor and London Councils will be writing jointly to the Government with a paper setting out our views on how that future funding could look and there is an advance draft of that knocking around now. This has been an increasing focus of attention on the eighth floor here and that is going to continue.

Gareth Bacon AM (Deputy Chairman): We are going to be seeing the Mayor tomorrow and so we will do a bit of a deeper dive with him at that time.

Len Duvall AM (Chair): Thank you very much. Can I welcome [The Rt. Hon.] Lord Heseltine [CH]? I understand you have been experiencing the -- I would not say the joys of London traffic in terms of getting to City Hall. We fully understand that.

I have a set of questions, but I just wanted to say that even though we are in different political parties, you are one of the few national politicians who has influenced my thinking, my practice and my actions in some of the work that you have done over the many years when you were in public office and national Parliament. I just want to say thank you for that because I do not normally get an opportunity to say that to you and I want to say that because some of the work that you did around, not just grant regimes, but partnership working and issues around how councillors behave in leadership at local and regional level has impacted on a whole host of my colleagues and peers. I want to place that on record.

That is why we have you before us: because of the experience that you have had in some of those programmes and in some of those issues around delivery mechanisms and thinking about regionalism and localism and, at this important time not just for the country but for us in London, thinking what happens if we leave Europe and what happens to these sources of funding. My set of questions really concentrates on the national picture

and what it means in terms of the relationship to London, but please feel free to comment on other questions as well in terms of your views.

Regional development, if we start from that point, has a long and varied history in the UK and many of the programmes now depend on European funding, apart from the [Good] Growth Fund and the London Economic Action Partnership (LEAP), which you have commented on. In your view, how has ESIF really benefited the UK and London? What is your perspective on that?

The Rt. Hon the Lord Heseltine CH: Thank you for your generous remarks. You will perhaps understand if I urge you to keep quiet. You do not do me a lot of good in the Conservative Party.

Len Duvall AM (Chair): It will not do me much good in my party, either.

The Rt. Hon the Lord Heseltine CH: I agree. We probably have a mutual self-interest of destruction in this context.

Well, it is more money. My understanding of what has actually happened with the European funding is that the Europeans wanted an implementation strategy that was extremely local. That did not suit Whitehall and so they parcelled it up amongst the functional departments of Whitehall and used it as another lever to run the domestic economy. I personally do not approve of that.

The devolution agenda, which is now moving and in some ways is impressive, is at a very early stage. My whole approach to Brexit or non-Brexit is not conditional on the devolution issue. We should have done the devolution issue a long time ago and we should do it now on a much bigger and faster scale.

If there is a replacement for the ESIF, there are big issues about that: whether London needs them, whether they should go more to the more deprived or underperforming parts of the economy. These are big issues which the Government will have to determine. My guess is that certainly outside London there will be a replacement of the European funding, but my whole interest in the subject will be about what specific use is made of the money and by whom.

If I can give you an example of something that I covered in a speech in spring this year, in the 1990s I created a framework to involve tenants in the management of public sector housing. It made some progress but not much. Today we need to cost the public-sector programmes that apply to deprived communities and involve those communities in the debates as to whether this is the right use of the money. The money is functionally divided. There are social workers, there are police, there are educationalists, there are experts on this, that or the other, and they all have their package of money. However, those people who are administering the package never meet and there is no one in charge and so there is no co-ordination and no one ever talks to the tenants. I believe Westminster has done some interesting work in this field.

What I would like is to have a real debate saying, "This is the money that is flowing into these areas. Is it being used in a way that you, the tenants, think is more likely to improve the conditions?" The language I would use is 'create ladders of aspiration' because most of the problems are dealt with by sticking plasters, "This is a problem. We will put money into that problem". What is not sufficient is asking how you raise the whole morale and ambition and opportunity of people living in these circumstances, which would happen with more local involvement and with a more co-ordinated approach.

That is just one example of why, when we talk about any of these big global funds, my interest immediately goes into what happens when the money is actually spent, by whom, where, and with what results.

Len Duvall AM (Chair): Thank you for that. You mentioned that you thought definitely there is going to be a programme outside London. London receives about 11% of the English share of ERDF and ESF. You have, in other past reports, talked about how London's prosperity should not be at the expense of the rest of the country but, equally, London should not be held back.

In terms of the grant regime of the future, what would that look like in terms of the nature of London and the southeast and in terms of generating tax dollars in the UK economy? Can you see a case where London should not be part of this grant regime or does it need a specific grant regime that may be different from the rest of the country?

The Rt. Hon the Lord Heseltine CH: What is beyond question is that London has some of the most acute areas of deprivation in the country and so there is undoubtedly a need for public sector intervention. The issue is whether London itself is so much more prosperous than the rest of the country that it could afford that without a redistribution mechanism of national resources or, in this case, European resources. That is a very legitimate debate.

Probably, from my knowledge of the circumstances outside London, there is an argument saying that London should be able to finance its own social remedial programmes, but this is a highly controversial political judgment which will depend on calculations about marginal seats and goodness knows what.

Len Duvall AM (Chair): Very much so, and also that the opinion-formers live in London in many ways because that affects the outcomes and programmes of the Government as well. Would you say that?

The Rt. Hon the Lord Heseltine CH: It is true, but I am not sure that it is quite the logical explanation. I may not be using the right words. You have to look at these functional departments and you have to think about the careers and the interests and the commitments and the genuine intention to do well of the people who are ministerially responsible and who work as officials in those departments or serve in the quangos surrounding them. They want to do the very best they can within the function that they operate.

What they do not like is any suggestion that their functional budget should be shared with, or watered down for other functional departments. There is not a culture of co-operation. There is not a culture of cross-fertilisation or analysis wider than the function.

You are perfectly right that, by and large, the people who make these decisions are in London, but I am not sure that being in London is the condition that makes them think the way they do. It is the human nature of the individuals. Quite rightly, they want to do well. Their career depends on doing well. They want to serve properly. The fact they are in London is almost incidental.

Len Duvall AM (Chair): In 2012 with the publication of *No Stone Unturned*, you put a lot of faith in LEPs. There has been a National Audit Office (NAO) report that you will no doubt be aware of about issues around the capacity of those partnerships and we have seen a response from the Government giving some extra funding or creating a Growth Fund around that.

What is your view about the effectiveness? It is LEPs outside London; we might talk about the LEAP inside London, but it is the same mechanism. What do you think about their effectiveness and where do you see their development going in the future? Particularly, what needs to change if we were to leave or are to leave the EU in terms of their work?

The Rt. Hon the Lord Heseltine CH: My view is that Brexit is irrelevant to the opportunity for the LEPs. We should have had something like this years ago. I did try creating the Business Links, but, like so much in this country, there is a party-political process which looks at what a Government is doing and, if it hears criticism, reduces or abolishes the particular criticised body. My slight problem in this is that I have created so many of these things which my party has then gone on to destroy.

You can see this in the regional process, I was involved very significantly in creating the Government Offices for the English Regions in the 1990s. The regional offices of Government were not rocket science. Several of the major Government departments had their regional offices largely in Manchester, Bristol or wherever it was, the sorts of places you would expect them to be, but they all sat in different offices doing their transport jobs or their water jobs or their Home Office jobs or whatever it was and they never met. These were the outposts of central Government. They were the listening posts. They were the shops where you could go locally without having to get on a train to London. I created a very simple little process of saying, "Look, we will put you all in one building and we will choose a civil servant from one of those outposts to be the chair". At the time, I deliberately made sure the chairs came from different Government departments because I did not want it to be seen as a land-grab for my power or ambition and so they came from different departments to spread it around.

That was so innocuous and sensible as a management innovation that it was difficult to make it controversial, but of course we then had a change of Government and onto this process was added layers of political activity, leading in the end to the referenda for regional devolution. My party was very agitated by that and the first thing they did when they came back into power in 2010 was to abolish the whole lot. What I could have told them it is that that of course is not the way the civil service works. Instead of, if you like, sacking all the people involved, which was getting rid of the whole apparatus, which is the implication of the policy, what happened is that the civil servants simply took offices just like they had had before. Having all moved into one building, they all moved out of the building back into those separate offices.

In order to make this policy make some sense so that it could be defended, they created the LEPs. Because I was working for the Government at the time, I knew these LEPs very well and they would say to me, "Look, it is fantastic; it is so cheap here. There is just me and the secretary", and I felt that really that was not quite adequate for the task, but it was a psychological gesture. They are costing nothing, they are not doing any harm and so let them alone. Systematically, I was able to help certain Ministers find some money to start rebuilding the Business Links.

The really interesting thing about the LEPs - and it sounds incredible now - is that I was part of the Conservative front bench that had to deal with the Redcliffe-Maud Report of 1969. There were 1,400 authorities in this country in 1969 and Redcliffe-Maud came up with a Martian view, saying that there should be 61. The joke of politics and the LEPs is that if you look at the Redcliffe-Maud Report and the 61 authorities, which made economic sense, and then you put alongside it the map of the LEPs, guess what? They are virtually the same. Any intellectual, neutral analysis of the way this country should operate actually comes up with about 60 authorities. For me, they would be democratically governed and there would be an elected mayor, just like everywhere else in the world.

Anyway, over the last few years, we have managed to get more and more money into the LEPs and, so far, it has been an incremental process and much to be admired. It has not yet started producing the 'anti' movement which could lead to challenging it, but where it starts invariably is that there will be some LEPs which are not so good and so the opposition party will pick up the grumbles and say, "No, these things are not working". Next step, policy formulation and we have to have something new to say: "Get rid of them".

However, the solution is not that at all. The right solution and the simple solution is to say, "If they are not working, who is in charge? Change the person in charge. Get better people. At the same time, make the job more worthwhile by devolving more powers". Let me give you the most classic example. The skills agenda is run by the Department for Education (DfE). Why not devolve the colleges of further education (FE) to the LEPs? The LEPs are a partnership between the third sector - including academia (the vice chancellors are there), and the private sector because they share with the public sector the three partners. The one certainty is that all those three will actually employ the local people, the kids now in schools. That is where the jobs are coming from. They know what demands they want and what standards they should have and they should be deeply involved in training the kids or the young people for the jobs that will be available, not some Government department. That is a classic example.

If you do that, you will be able to say to the local industrialists, "Look, we know you are running a major international company and it is a hell of a strain, but it is worth your while to become involved in this devolved process because you are going to get the best people out of that process". The truth is that all over the country there are first-class companies today that are doing just this. Our problem is not trying to create excellence in this country; it is trying to spread excellence deeper down the chain.

Len Duvall AM (Chair): In moving on to new regimes, then, and meeting the new challenges that we face, whether it is Brexit or just the continuing challenges in terms of economic growth and development and spreading it and making sure it goes deeper in terms of the different sectors. You alluded earlier on to the single pot, and how the real challenge is in getting these existing budgets that are already there. Are they being used rightly and appropriately? You were telling us that the LEP is probably the delivery vehicle that needs to be built on.

What other nudges do we need in terms of some of the work that you have done in the past around what those future grant regimes would do? You talked about skills. I get the skills bit. I understand that. We have done some scrutiny work here in the London Assembly around devolvment of skills and so I understand that. What other nudges would you like to see?

The Rt. Hon the Lord Heseltine CH: Forgive me for being frank but you have asked me the question. If I was in your position, I would choose the three, four or five most effective competitor economies and I would send study groups to each of them with the remit to come back and say what support systems exist for the companies that operate in France, Germany, Singapore, Korea, Japan and America. I would then look and ask myself, "Do we need to replicate any of this here?" Frankly, you would be appalled by the reports you had back.

I am actually this afternoon finishing a report on this for my own purposes that I am going to publish and I have included some of the researching that I have done into the sorts of questions that I have suggested, but you are so much bigger and more important than me. You will find that all the other capitalist economies are way out ahead in terms of the support that they give their companies.

One fact: the London Chamber of Commerce and Industry has 20,000 members; the Paris Chamber of Commerce has 300,000 members. Multiply that all over the place.

Len Duvall AM (Chair): Just in terms of your experience of establishing grant regimes - say the City Challenge or the Single Regeneration Budget (SRB) - in terms of commissioning of that, take any of your regimes that you are involved in. How long did you take you from concept to practical implementation?

The Rt. Hon the Lord Heseltine CH: Days. It started in Liverpool in 1979. Peter Shore [Baron Shore of Stepney PC], who was the Labour Secretary of State for the Environment before me, had done an interesting innovation. He had created partnerships with some of the cities with deprived communities in order to involve his ministerial team directly. He had taken responsibility for Liverpool. He was the chair of the partnership. I was asked if I wanted to continue that and I said, "Fine".

The second piece of information I already had. One of the most effective ministerial colleagues I ever worked for was Peter Walker [Baron Walker of Worcester MBE PC, former Secretary of State for the Environment]. He had created in the 1970s a grant mechanism to get rid of the coal tips and the soil tips and all the detritus of yesterday's manufacturing processes and he had grant mechanisms.

In 1979 I was faced with two questions: did I want to continue the partnership and what was I going to do with this grant mechanism? I thought, "I do want to keep the grant mechanism and I do want the partnership, but I am going to move the grant mechanism into the cities", because Peter's job had more or less been done; the green fields had been restored, and so I had this - I have forgotten what it was called now - grant mechanism. In one of my first meetings, long before the riots in Liverpool, I said, "Look, I am going to have this grant mechanism and it is going to be available to clear derelict land in the cities", and Liverpool was not short of derelict land. I said, "There are only two changes I am going to make. The first is that I am going to look for contributions from the private sector in partnership. If I have £1, I want to know what you will contribute - private sector - for my £1. Secondly, I am going to do it in competition so that this will not be an entitlement".

One of the problems of the public sector is entitlement. People say, "There are 10 of us and we have a certain problem and, therefore, we are entitled to a tenth of the 100 in the country". That is a very logical and human approach, but it is the wrong approach. The way to get standards up is to say, "Yes, you have a problem. Show us what you will add and show us the results you will achieve and then distinguish between those who do better and those who do not".

That took no time at all. It was just an instinctive way that it could get better results and it worked significantly. The obvious thing is, "Look, here is an acre of derelict land. I will take the negative value out of it". It was 6,000 acres of derelict land just over there. "I will take the negative value out of it. You have to build houses." We were building 2,000 houses a year within a year and a half, or something of that sort, in east London.

That led onto City Challenge, where I was in 1990. I had proved, to my satisfaction, that derelict land you could deal with: by then the development corporations were achieving remarkable results and were getting over ten private pounds for every one public pound. Even in Liverpool at the bottom of the market, £1.50 of private money for every £1. Therefore, it worked, but then I faced deprived communities, and that of course is a wholly new ballpark because you are dealing with people.

I took a chance. I said, "We will take 30 authorities". I am afraid they were virtually all Labour authorities. I said, "You have some very deprived communities. I have some money. You bid me". I had 10 packages of £35 million. That was £7 million a year spread over five years. "I have 10 packages. There are 30 of you. You come up and show me what you will do, how you will do it, who will run it, but only 10 of you are going to win". Of course, there was an outcry because this was deprivation and this was competition and this was terrible capitalist economic thinking. However, I laid down one of two conditions: not just that there had to be discrete management - a team of people who worked together under one leader to deal with this, but they had to talk to the tenants and the local community and they had to get buy-in.

The result was that of course the 10 did win. There were some who made some quite unpleasant noises about the process, but the next year it was transformational. All the 20 zoomed in on the 10 and the standards rose; it was unbelievable.

I will give you one example. I was very fond of a guy called [Sir] Dick Knowles. You have probably met him. He was the Labour Leader of Birmingham. When coming to the determination of these packages, my ministerial team and I did it. I did the Birmingham one. I knew Dick quite well and we got on well. In his bid to win, I asked the questions and I said, "Dick, this is very interesting. What do the head teachers in this area think about the proposals?" He said, "We will tell them". That was the moment when he lost because he had never asked them. He then said some quite uncomfortable things, but the Wolverhampton team, who won, from again another Labour authority - came to my defence saying, "No, he lost because he did not do a good enough job". I treasured the press release.

Len Duvall AM (Chair): You have painted a picture about the LEP and you have given us some ideas about a grant regime and some of the features we should be looking for if the Government creates one. In terms of capacity, I really want to press you on the capacity of LEPs or structures here in London. Do you have any comment on the current structure of local and regional government in London around the delivery of future challenges this country faces or London faces in terms of those grant regimes?

The Rt. Hon the Lord Heseltine CH: You have too many London boroughs. It is so easy for me to say that because I do not have to do anything about it, but doing anything about it would be stretching.

I had the marvellous privilege of looking at the East Thames Corridor. We would by now have produced a report if events had not gone the way they did. Here is a fantastic opportunity for your authority. You cannot do it on your own, but you are the central part of it. Picking up the pieces that were very close to being finalised when I left is something that is absolutely vital regardless of Brexit. The one thing for sure is that that wedge there is going to develop significantly over the next 10, 20 and 30 years. There is no way you can stop it and you certainly should not want to, but there are huge questions about how. Basically, they come down to a very simple question: do you want the gradualism field by field because that is the easy way for the politicians, "Do not block any hopes, just take the housing field by field"? However, if you really want to do something that you can be proud of and your children will be proud of because you will not all live to see the completion of it - I certainly will not - then you have to have a much more imaginative view. The report that we would have produced by now would have taken the high road, the imaginative route, which would not have been about urban sprawl and one more line of identikit housing.

We have to create communities, places where people want to live, places where people can get and are happy to be there and broadly represent exciting and stimulating communities. We have to build on local strengths and opportunities. It is not rocket science; it is just politically difficult.

In the present situation, the administrative arrangements are quite inadequate when you get there. You see you have the GLA, you have the boroughs, you have two counties, you have dozens of districts and you have all sorts of quangos. Quangos are a very interesting part of this mix because they ... well, I had better not get going on quangos.

Sian Berry AM: I wanted to ask a little bit more about LEPs. A lot of the money outside of London that is going to LEPs is transport money, but that is in contrast to the LEAP in London, which has a high proportion of its money coming from European funding for skills and that sort of thing. Do you have a comment on this? Is there a difference between the LEAP in London and LEPs across the rest of the country? Is it a better LEP

in that it is more focused? Is it better because it works alongside a devolved government that does other things?

The Rt. Hon the Lord Heseltine CH: I have no experience of how good or not good the London arrangements are. It is interesting that that is my case except for the East End commission [Thames Estuary Commission], my work was broadly in trying to achieve devolution outside London. I had very little to do with the London arrangements.

Caroline Pidgeon MBE AM: You have talked a little bit about City Challenge and then you had the SRB programme after that. Then, when Labour came in, they brought in New Deal for Communities? Do you have any commentary? Is there anything out of that that could be looked at going forward with the new funds that we may have to replace European funding?

The Rt. Hon the Lord Heseltine CH: I do. There was absolutely no case for not pursuing City Challenge. It is a classic example that new people need new labels on the doors and City Challenge was a model of its sort. Look, you would expect me to say that, but all sorts of people who have said that to me - not from my party but from the Labour Party, largely - have told me that it is one of the best things that ever happened. Bring it back. The machine is there. The machinery to devolve power to local tenants is there. It does not work particularly effectively and it has not spread anything like as widely as it should, but the machinery is there.

Again, I was doing two things. David Cameron [MP, former Prime Minister] asked me to become joint chair of his 100 deprived estates and that, again, I am no longer doing. I was very interested in that and all the things I have said to you were built into the approach that we were taking, but there were two additional things that we were doing, which I found very interesting and I hinted at them earlier. The first was to do a costing of what these deprived communities are costing. No one should be against that. Of course, people say, "He is only looking at the costs because he wants to cut them". That is not the case at all. What I want to know is the cost of sustaining deprived communities. I want to know it because I want to find out if the money is being effectively spent and whether it could be spent more effectively.

That immediately links you to the second thing that I was doing beyond this investigation and I said that Westminster has done some work on this. The second thing is, when I got the costing, which we were quite well advanced in getting because some earlier work had been done and we had already chosen the estates, we were going to go to the tenants and say, "Look, this is what is coming into this estate every year from these sources. What do you think?"

I made a speech in the unusual background of the Chelsea Flower Show this year, which was all about horticulture as part of urban renewal. The first reaction was to think I had gone off with the fairies, but, actually, if you start thinking about some of the most acute problems of urban deprivation, it is mental stress. Do you treat them as people with a mental problem? No. Why not find out why they have stress? You find out they do not have a job and no prospect of a job. You find out that they do not know how to pay their rent at the end of the week. All these stresses, as they sit doing nothing because they have no job, add up to a mental condition, which is a very understandable thing.

Supposing you could find ways of enthusing them into some local activity. Then you start thinking about urban horticulture as part of the process of rebuilding communities. Then you start thinking about city farms and the remarkable effect they have had on young kids who have never experienced that sort of relationship. You build all this into a pattern of intercommunity relationships. If somebody is responsible for helping Mrs Jones who is 82 to look after her garden, which is not a very skilled job, and if they do it well, a mile away there is Mrs Williams who is 82 and can afford a gardener but cannot get one. You start getting into all of this.

You can think of endless permutations on what I have said, but only will you get there by getting to the local people, sitting them in a room and saying, "Look, how can we do this better?"

That was the theme and it all is part of the same thing. If you really want to make devolution work, you have to get down to a level where it can have an impact. You have to talk to the people who are involved and who are doing it. They are the frontline, not the people sitting on committees 200 or 300 miles away.

Caroline Pidgeon MBE AM: Thank you.

Sian Berry AM: I wanted to ask about the Shared Prosperity Fund. Kris from BEIS, we wanted to ask you about the UK Shared Prosperity Fund. This is the proposed fund that might replace some of the European funds. Can we ask you first of all from a London perspective? We are all concerned whether London will get the funds replaced that we currently receive. Is the Government committed to doing that?

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): I should start by saying that I cannot speak on behalf of Ministers; I can only talk about where we have got to so far in the process. You will appreciate that the challenges of negotiating the UK's exit from the EU are large and current and consistently moving and so our ability to design a new programme partly relates to the extent to which we negotiate our exit from the EU. We should bear that in mind in what I am about to say.

Firstly, we can say that the Government is committed to using European structural funds money that comes back to the UK after the departure from the EU to create a UK Shared Prosperity Fund. We have made that commitment. That was a commitment in the manifesto and it has since been made by the Government. The aim for this future fund will be looking at some of the major challenges that we face in this country, including productivity and reducing economic inequalities across all four nations of the Union. The new fund as it is developed will present a fresh opportunity to think about how we can redesign, and potentially extract, some of the complexities that were in the existing funds into a model that works for the UK and for the places in the UK that will be implementing these funds, rather than those set by EU priorities that had been agreed by both the UK government and also the EU. That is an important point. The manifesto is clear that this is the direction of travel and that we will commit to consulting and discussing our plans as they develop with places across the devolved administrations and also the city regions, local authorities and LEPs as part of that wider consultation, which we plan and will be set forward in the future once our plans are a bit firmer.

Sian Berry AM: You have mentioned productivity and you have mentioned reducing inequalities across the four nations. Have you settled on measures of how you will distribute the funds? We have proposed, as an Assembly, for example, using indices of deprivation and inequality measures as opposed to overall prosperity of the region because London does have that. Are you assessing those parameters up at the moment?

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): There are a few things that we need to think about in the context of this. Partly the parameters of the fund and its scope, etc, partly the design and the detailed implementation. These are valid points that we need to think about and work up. We have not set a particular position as of yet. If you look at the past programmes that this Government and the previous coalition Government had developed, there are lots of different mechanisms of distributing funds, some which Lord Heseltine will be aware of around competitive processes. Some are around distribution models based on equity and indices of deprivation. There are lots of different models that we can look at and all of those options will be on the table. It is up to officials, Ministers and places to decide on which ones are the most

appropriate to deliver the outcomes that we want around increasing productivity and reducing those economic inequalities.

Sian Berry AM: Are you talking to the GLA? Are you talking to the LEPs about their record to date of distributing funds? Are you asking them for reports?

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): As part of my day job, I cover 11 LEPs across the country, including London, and we speak quite regularly with colleagues in LEPs and in local areas about the types of interventions that work and the things that really deliver for local communities and drive local growth. We are in regular contact and consultation about what works and what does not.

In indirect regards to where we get to on the UK Shared Prosperity Fund, we have yet to launch our consultation. Whilst we will be open to discussing where we get to on that, we have not embarked on a whole host of open dialogue with places. However, that does not mean that places could not approach us with some of their ideas for what they think a future Prosperity Fund should look like and what the best and most appropriate mechanisms are for distributing that fund, including the types of outcomes that it seeks to deliver. We are open to a conversation.

In conversations that the Secretary of State for Communities and Local Government has had with the Mayor as well as the other Ministers across Whitehall, they are keen to encourage the Mayor and the GLA and London Councils to write to us on the types of plans that they think need to be delivered to make this programme work in London. As I say, we are yet to make any direct decisions on how this fund is operated or what it constitutes, but we need to have those conversations and we are open to dialogue.

Sian Berry AM: What is the urgency for you? You say that people need to write to you. Will your consultation put forward proposals or will your consultation be quite open-ended at that point? When will it be launched?

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): Yes, we would need to factor in -- it is quite a complex arrangement and so, obviously, there are European funds that exist. There are also potentially other funds that could be in scope that ought to be thought about as well and there is quite a close link to devolution and the wider types of activity that have been going on in the past over the past Government's approach and this Government's future approach to devolution. There are a range of things that need to be included.

The consultation phase that we create will enable us to take on board comments and design features as well as then implement them in time to be live from day one of the UK's exit from the EU. It is that transition that we need to make sure happens effectively. The time it takes will depend on the type of scope that we are looking for, but our commitment is to make sure that from day one we have a scheme in place that takes over from the European funds that have been lost as a result.

Sian Berry AM: Great. Can I just check again, though? When will the consultation come and how much will it be a proposal and how much will it be asking for views?

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): It will be a combination of some ideas on where we might go plus some views on priorities, structures, etc. The timing is partly dependent on what Ministers see as the immediate priorities. There is an interaction between what we might do at a devolved administration level as

well as then what we do on an English level. There are elements that we would need to consult on. Ministers have yet to decide the point at which this consultation would be launched, but we have done some work internally to think through what some of the key questions might be and what we should be asking places in order to get the right outcomes back so that we can integrate those into the development of the programme.

Sian Berry AM: You mentioned other funds that might be brought into this. Do you have an idea which of those are in scope that you might give us an indication of?

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): We look at this in the round. The transition from a European fund into a domestic fund enables us to think more creatively about the types of objectives that a fund might have. Those funds that might have previously been aligned to the types of activity that this could drive in the future at a local level could be repurposed or we could design a slightly bigger fund that captures some of those and dissolve some of the previous funds. It is an open-ended conversation on the types of outcomes that we are looking for with the fund and the best means in order to drive those. We would want to not impose too many huge restrictions on the different component parts of a fund in the same way that the European priorities were developed with multiple drivers, multiplying outcomes and multiple ways of operating. We want to keep it as simple and as effective as possible, driven by those two big objectives around driving productivity and reducing social inequality.

Sian Berry AM: Generally, then, this Committee and this Assembly should be writing in as quickly as possible with ideas and including ideas of other funds that could be brought in?

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): Yes, I would encourage you to write in to us on how you think we should drive local growth and those productivity and reducing social inequality challenges across London. There will be a formal consultation as well and we would also encourage you to respond, but there is no reason why people cannot write in today. Certainly, we have had some representations from organisations willing to drive some of our thinking and so we would encourage places, as we would any LEP that is interested in trying to influence where we go next on these funds.

I would encourage you to write straightaway and also to respond to the consultation when it happens. Our teams are willing, once the consultation goes live, to come out and do sessions both in London and around the rest of the country to facilitate that dialogue and also get the best possible outcome for places.

Sian Berry AM: Great. My final question: in general, the Government has preferred to devolve more capital spending rather than revenue funding streams. Are they in scope as well? Will the things that are currently funded by the European funds that are revenue funded continue to be revenue funded? Can we bring in other revenue funds, if we are making suggestions? What do you think the balance is?

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): Yes. We need to factor in both revenue and capital expenditure when we have funds that are driving, to use an example, employment outcomes. Much of those are revenue-related and so we would encourage places to think about those. It is both the big infrastructure and things that we care about in terms of driving both big and small infrastructure, as well as then the human capital-related interventions around people and how they get jobs, increase their skills, etc, which are similar to the types of schemes that exist already. It is both capital and revenue-related and so, essentially, think about it in the context of what you do to make places grow. You invest in people and you invest in those places and it is the means to do that that you need to think about.

Caroline Pidgeon MBE AM: Kris, I do not think you really answered Sian's question. You said that there are other funds in scope. Can you just give us an example, a name of a fund or several funds that might be the sort of thing you are looking at, just so that we can get a clearer picture?

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): There are other funds in scope to be thought about in the context of a devolution-type conversation, plus what we do post the UK's exit. If you take the Local Growth Fund, for instance, that has been driving lots of the local investment that the LEP makes in terms of small local growth initiatives. Given the drive on productivity and reducing inequality, you can certainly see a link between something like that being connected to this type of intervention going forward. That would be one example and there will be others that cut across a range of different things. I guess it partly depends on how we think about place in the context of this.

Caroline Pidgeon MBE AM: I would just assume that this new UK Shared Prosperity Fund is going to at least match what we were getting from these EU funds, but if you are going to roll in some of those others, could those be included so that it is a reduction overall in funds for regeneration and --

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): Not necessarily. The commitment that has been made is the commitment that will continue to be met and there are also options. I do not want to talk about quantum because I cannot. However, if you are thinking about the commitment that has been made that no place will lose out as a result of this transition and then if we thought about additional funds on top of those to drive the types of outcomes that we are looking for, then I would not just see this as a binary: this is the EU funds and then this is the transition. There might be other funds that come to the table in addition to the types of funds that were there previously. I would not see this as a single set of discussions.

Caroline Pidgeon MBE AM: OK. This is something that we could potentially watch there.

Len Duvall AM (Chair): Our working assumption should be that we could, depending on what the situation is, take the existing European funding as a working draft and there could be other funds on top of it. It does beg the question, say, on the skills debate. Is it just your department or is it Government-wide departments involved in developing this fund?

We have ambitions here in London around the skills agenda. We thought we had a deal. We nearly had a deal around FE colleges. It did not quite happen and was changed. There may be a different appetite in the Government in terms of post-Brexit. I agree with Lord Heseltine that it should not really be about Brexit or not; it should be about what we want to deliver.

Who is holding the ring on skills and driving that forward in this part of the grant regime? Is it your department or another department?

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): I should make clear that my department covers two departments, both the Department for Communities and Local Government (DCLG) and BEIS, as part of the Cities and Local Growth Unit. My job here is also, in part, to help implement the devolution memoranda of understanding (MOUs) and deals that have been signed between the Government and London over the past few years.

Just specifically on the adult education budget (AEB) point that you make on skills, that commitment has been made that from 2019/20 those funds will be devolved. Do not think that we are renegeing on that deal. That deal is going to happen. The timing has taken slightly longer than we would have hoped, but that is in place to go forward. Just to make that point.

Secondly, this is a cross-Whitehall operation and there are lots of different departmental interests in all of this. Whether you think about air quality environments or whether you think about jobs or growth or infrastructure, there are lots of different interested parties. Our unit is leading on some of that work across Whitehall and we are sharing papers with Ministers across Whitehall so it is a joined-up Government approach to this, which is not too dissimilar from a lot of the conversations that we have had around devolution, which is why I point to what we are thinking about skills. With the devolution of the AEB, there is a question as to how this future fund might link in with some of the outcomes of that skills budget that has been devolved and will be operational in 2019/20 is then delivered. These things in the past have intersected quite regularly.

If I give an example to make it a bit clearer, on the AEB, some of those funds are used to unlock skills investment through the ESF, for instance, and so there are discussions about how those two things fit together going forward. You can apply that to DWP funds; you can apply that to other types of initiatives that exist. It is a cross-Government set of approaches with working groups and all of the necessary papers.

Ministers are not yet at a point where they can say definitively how the fund will be structured, but we intend to do that and we intend to do it in plenty of time to enable us to switch this new fund on from day one after leaving.

Len Duvall AM (Chair): In terms of some of this thinking going on, let us go back to the issues that Lord Heseltine raised around leadership capacity and delivery. That is what we want, is it not? Who is delivering? What is the current thinking at this stage around those three issues in terms of any new funds? We have a NAO report saying that, actually, LEPs are quite good but there is a capacity problem in terms of delivery. Is that something on your radar or is that something at this stage that you think, "Hold on, these are the structures I am dealing with now. This is what we need to do"? I am not asking for ministerial views but civil servant views. You have been working with these groupings. We have new challenges. There is a bit of thinking about the future and what those challenges look like and who can deliver.

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): Yes. We have been thinking about that for quite a long time and, for all of the schemes that we design, we think about the way they are led, how they are delivered and the extent to which they deliver outcomes. That is something that we have taken into account and will continue to take into account.

We are still at quite an embryonic phase in terms of setting those top-level priorities and then what interventions come beneath those in order to drive those priorities. Once we have a better understanding of those and we reach agreement across departments on what those should look like, then we will get into what tier should these be delivered at and the types of processes and mechanisms we will use to deliver those, taking into account all of our experience across multiple years of delivering these types of schemes and looking at past evaluations to make sure that we are designing the thing that works best.

One of the areas that we are particularly keen to probe is the extent of the 'local works best' maxim that lots of places tell us and what evidence there is that that does represent the best value for money in these cases.

Len Duvall AM (Chair): I am a localist. When local government works in London, it can be superb. Equally, in terms of grant regimes, it is too small a unit to deliver and you need to work in partnership with other boroughs and other sectors in terms of delivery. What is your thinking about that? If London was there, where would that come into it or not?

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): It is probably not appropriate for me to say exactly what I think about London and how it delivers. I would say --

Len Duvall AM (Chair): Let us talk generally. What is a viable unit in terms of delivering a grant regime down around money? I can apply the London issue to other parts of the country in some ways and what might be a suitable delivery mechanism and how it works.

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): We have not made decisions on the most viable delivery units. There is a strong emphasis on the importance of LEPs to these conversations going forward and functional economic areas being something, we think, where you can drive the best value for money, have the biggest impact and get that business and civic leadership as part of those proposed tiers.

In London, it is slightly different because of the complexity of London, its size and scale, and so we probably do need to think a bit more sophisticatedly about how to deliver across the capital city both at a pan-London level and also at tiers below that. Having worked in London at a sub-regional level, there is quite a strong case for thinking about sub-regional interventions in this context, although I would argue that some of this is the type of thinking that London needs to do for us.

Picking up on your point, this is bigger than just boroughs and it is important that borough leaders come together to think of the best and the most appropriate tier to have these discussions in that context. I would probably look at that, I would say.

Len Duvall AM (Chair): Thank you.

Sian Berry AM: Just one final thing about the timing and the consultation. It seems like you are waiting for word from above. Are you talking to people like Despina [Johnson] and Lisa [Redding], the people who are dependent on these funds? They seem quite anxious about what might be happening. With the timing of the consultation even very vague in what you were saying earlier, it seems like reassurance for those people is going to be a long time coming. Are you talking to them in the meantime and is there anything more you can say about timing and when we might have this sorted out?

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): Yes. People are having conversations. I am not having direct conversations with people, but the people in the team who are looking at these challenges are thinking about it and are having conversations and will be approaching LEPs and other bodies to facilitate conversations and direct contacts.

We recognise that there will be some challenges associated with this, as there were challenges associated with the transition from the previous European programmes into a new programme as well. There is always transitional angst, I would say, and so we are conscious of that.

The commitments that the Government has made are that we will underwrite future funds when we go forward from day one so that the transition will be clear and the new fund will be ready once the old fund has stopped. We need to make a decision on what point we exit that past fund. Is it at the point of exit or is it not? Ministers will make those decisions in the coming months. I expect there to be more guidance and support for places once Ministers have made those decisions but we are not currently at a stage where I can tell you today, "This is the time the consultation is going to go live and this is the scope of it", because I just cannot do that.

Sian Berry AM: OK. We will hang on, then.

Len Duvall AM (Chair): Let us move on to Caroline with the final set of questions.

Caroline Pidgeon MBE AM: I wanted to try to look at opportunities here. It is quite hard for some of us, but I am trying to think about opportunities. If the Government is simply, as we are hearing, going to replace the European funds with a like-for-like fund, does it matter that we are losing those European funds? What opportunity does it give to target the expenditure more perhaps for London's priorities or nationally looking at other cities' and other areas' priorities?

Alex Conway (European Programmes Director, Greater London Authority): In the world of ERDF and ESF, these ESIF funds, does it matter? I do not think it does. If the Government took a decision tomorrow that said, "Your funding is not going to be European anymore; it is going to be domestic and it is going to be much less bureaucratic and you can spend it on what you like", we would all be quite happy.

I was thinking back to when I started in the civil service working on some of the things that Lord Heseltine pioneered around the City Challenge, the SRB and so on. Those bigger, flexible, pots were always a welcome thing. That is one issue.

I should maybe just draw the Committee's attention to two other pots of funds that may be at risk regardless of that. One is the so-called transnational funding. One that has had a lot of publicity and the Mayor has been talking about is Horizon 2020. These are funds where you get together with people from other member states and do innovative research and those kinds of things. It is no surprise that London's universities and research institutions benefit hugely from these funds. The Government has recognised recently that there probably would be some merit to continue to contribute to those programmes post-Brexit like the likes of Norway and Switzerland do and that is something you will want to strongly encourage. Maybe you will find there are a few other transnational streams like Erasmus, the student exchange programme, or culture or creative programmes that we would also want to continue to participate in. That is a point that we would endorse.

The third, which maybe gets a mention in some of the material you have seen, is around the loans funding we receive from the likes of the European Investment Bank (EIB), the European Commission's bank. Again, the point there is that you can borrow money from all kinds of people and the EIB, again, lends to countries that are outside the EU. The Mayor has written very recently to the Government to ensure that we get the match funding we are expecting from the EIB for some of our forthcoming funds to help small businesses and energy efficiency. We think that should be OK but London has benefited to the tune of several billion-pound loans from the EIB for things like Crossrail and big infrastructure schemes and it is important that some sources of funding are available. Again, it is not quite clear where the Government is going with things like the Green Investment Bank, which was recently sold to the Macquarie Group. Some assurance about this funding, through either the EIB itself or parallel UK institutions, is going to be important for London given the scale of transport infrastructure developments here.

Caroline Pidgeon MBE AM: Can I just pick that up with you, Alex? I have always been quite obsessed by the EIB and this whole debate. The EIB chief has basically said that Britain will have to leave the EIB after Brexit even though the Treasury wants to stay and, even if we do still find a way to have access to the funds, it is not going to be at such preferential rates that we get now.

Alex Conway (European Programmes Director, Greater London Authority): That may well be the case and there is a whole gnarly issue around the UK's stake in the EIB and how that is unwound. That is one for the wonks. Our immediate concern is that we have some deals in the pipeline with the EIB now, our working relations with EIB colleagues are very good and we just want to make sure that we are not tripped up by some failure of process as Brexit approaches.

Caroline Pidgeon MBE AM: Your plea from your point of view is that it does not matter if the funding is there and it does not matter if it is not European, but you want - as the LEAP has proposed - a much simplified model, one that ensures rigorous management but without some of the restrictions to allow innovation. Is that it?

Alex Conway (European Programmes Director, Greater London Authority): That is what we have been saying. Building on some of the points that Lord Heseltine and Kris [Krasnowski] were making earlier, it may be worth highlighting - and Sian [Berry AM] asked a question about how the London LEP is perceived - as Lord Heseltine was saying earlier, one thing to remember is that London is both a region and a LEP area and that is quite unusual. It used to be that we were a smaller region. Now we are by far the largest LEP. Some of our neighbouring LEPs in Hertfordshire or wherever are very small and they do not need a high level of resource. We are lucky that here in City Hall, the LEAP, we have a dedicated secretariat; you will find all the papers online and everything is very transparent and open. What I am told by Government colleagues is that, by comparison with other LEP areas, things are done to a pretty high standard. That is something that we should be using as leverage in our discussions with the Government about (1) devolution is a good thing anyway and (2) the LEP in London is an effective means of doing that.

Despina Johnson (Chief Executive, Enterprise Enfield): Thinking about opportunities, there has always been something that we should have invested in for SMEs and that is capacity building for them to be able to tender so that they have gained the accreditations and the knowledge about how to get onto the procurement list so that they can tender for public sector contracts, but they will want to get onto private sector supply chains as well. There are still not enough SMEs accessing that kind of work and that is really important for them because it is longer-term work and it also means that they can employ local people and sustain their jobs.

As well, the added side to this is that, with the change with Brexit, there might be a change in the rules around procurement anyway. It is making sure that businesses are on the front foot about this and understand if there are any opportunities and whether we should start talking to them about how they can start preparing for that. This is all part of the ongoing communication really about what is happening with the discussions.

Alongside that as well is helping businesses with e-business. It is about modernisation and making them aware of all of the business tools that are out there that they may not be using. Are they connected to the cloud? There is cloud accounting and data storage. There is also ecommerce and, again, that is connected to Brexit because, if you do use ecommerce, what happens once we do go through Brexit? There will be changes and people need to be aware of that. If we are encouraging them to do that, they are going to have to deal with some challenges further down the route.

There is export as well. Again, what are the export opportunities for our SMEs?

The last one is something that really is an issue now that I am aware of. SMEs are not really aware of how they can utilise the apprenticeship levy. I know they are not paying it, but they are able to get 10%. Is it 10% that they have to pay towards their apprenticeship training? They can upskill staff. So few of them are taking advantage of that. Again, as we go forward and we may have less choice in the selection of people coming into the country, it is another area and we should start making SMEs aware that there is this resource there and there are these people around - not necessarily even young people now - that they could be starting to consider taking on and developing.

Caroline Pidgeon MBE AM: That was very helpful. Thank you. Lisa?

Lisa Redding (Chief Executive, London Voluntary Service Council): A lot of the points that have just been made apply to the voluntary community and social enterprise sector. We desperately need investment in our infrastructure, for capacity building, for the same kinds of things, entering into the contracting market and upskilling around technology particularly, but also infrastructure to make sure our charities are healthy and are sustainable so that we can support our communities.

On opportunities, I was very much struck by what Lord Heseltine has been talking about on asking communities what they want the funding to be spent on. That is absolutely critical to have that engagement with our communities, not just throwing money at what we think they should be doing but engaging with communities properly to find out what they need.

Caroline Pidgeon MBE AM: Which probably ought to feed into Kris, and the work you are doing.

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): The main point for me, I guess, would be that this is a fresh opportunity to really think about our priorities and what we want to do with the money that will be returned and the new money that will be created as a result. It is for us to think about what really works and for places to come up with the best possible answers for that. This is probably a once-in-a-lifetime opportunity to do that and so we should maximise it and utilise some of the great thinking that has gone on across the country over the past few years to implement that. With the great things that are happening in London, we build on those that do work and we stop doing those things that do not.

Caroline Pidgeon MBE AM: Did you have anything to add on that, Lord Heseltine?

The Rt. Hon the Lord Heseltine CH: I start from a rather different position. You see, Whitehall should be the quality controller of the country's performance. It should do the minimum and exert the maximum influence. It should be obsessed by excellence. It should be totally committed to Britain's competitiveness on the world stage in all the fields in which it has direct responsibility. It should devolve virtually everything else.

This is so countercultural to the way we start and the whole debate I just listened to is a fascinating example of that. What you are asking questions about is the new fund. Why do we need a new fund? Why do we need a fund at all? Why can we not just get, in your case, you into a position where you make these decisions? You do not have funds; you have resources on a wide scale and you have to satisfy the Government that you are - let us take the first and obvious example - pursuing a policy of excellence in every school. You have the money; they are going to hammer you if you do not deliver excellence.

Actually, the truth is that London has done rather well in improving its educational standards, which is very interesting for all sorts of reasons. It proves that there are no reasons against raising standards. You have some of the most deprived communities and the most racially mixed communities. All this and the standards

have been jacked up very excitingly. I could take you to parts of the country where the reverse is the case and they will say they do not have a fund or they do not have the money and it is all someone else's fault. It is not. It is simply that they do not have the right people exerting the right pressure.

That is partially the fault of the DfE. We were talking about skills and I heard very much what Kris [Krasnowski] was saying. Why does the DfE need a £4 billion fund for skills? Who in the DfE really knows about what in Manchester or Bethnal Green their skills requirement is? If you think of the process where they will find out, they will do a huge survey and they will come up with a million different solutions because there are no simple generalised solutions, but they have to put them all into a package and they will therefore generalise and synthesise until they get a common approach and the fund will be about the common approach, but actually the common approach when you get to Bootle does not mean anything. Why not start by becoming quality obsessed and the execution right out there where the people who eat, breathe, dream, sleep are. That changes the whole thrust of what you have been talking about, but that is what you should be talking about, in my view.

In fairness, I have to then qualify that. There is not really a great appetite in local government to do this because local government, in my humble experience, has resisted every serious reform since the Redcliffe-Maud row broke out in 1969. I was in Cambridge the other day. There is excellence on a world scale, but you should see the local administrative ...

Caroline Pidgeon MBE AM: The issue surely there is - and I absolutely understand what you are saying - that there is no appetite nationally to devolve anything from HM Treasury. We have been calling for fiscal devolution for some time to London and various other quite modest measures and it is impossible to get any buy-in up there. When we do, we get two steps forward - we think we have transport devolution, we are going to get the metro rail services, we are going to get the skills funding - and then we go back.

The Rt. Hon the Lord Heseltine CH: I have heard what you have said about skills.

Caroline Pidgeon MBE AM: With a change of Secretary of State and a change of mind, we go back. It is national as well as perhaps local.

The Rt. Hon the Lord Heseltine CH: Do you see? You are talking about my preoccupation with the deference culture. People accept it. I believe we need a peasants' revolt. The local people across the country, who are amongst the most talented, the most energetic, the biggest wealth creators, simply doff their forelocks to Whitehall. They should not but they do and their Members of Parliament (MPs) let them because of their career and business. It is not rocket science. The MPs' career structure is up the Whitehall parliamentary channel and so trying to push power back out is not what they are about. It is all human nature, but that does not stop you being difficult.

Caroline Pidgeon MBE AM: Absolutely. Kris, you wanted to come in?

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): Yes, just one point, I guess. I was also in Cambridge yesterday seeing some of that, but I will not express my personal view on that matter.

However, there is probably something I would say, which is going off my brief and having worked in London government a bit and having worked around devolution for probably 12 years or so. There is partly a gap between the types of things that people are asking for and the quality in which they present their arguments that is not met and therefore does not convince people of its merits. That is something that people should

definitely think about. It is not just good enough to say we should do a thing like this, but we also need to think about how we implement that, how it is going to work in practice, and to give people that confidence.

To a certain extent, I would probably agree with you on fiscal devolution, but would also argue that there has been quite a lot of devolution to London over the past decade or so, if not longer, and there have been some serious changes. The establishment sitting here today is quite a big change and there is a vehicle to deliver some of this, but it is really important that the message you send is clear, articulate and sophisticated because my sense is, having met with lots of officials from lots of different parts of the country, often, that is the gap that is never met. If you cannot convince not just me but Ministers and people in the Treasury, then you are not going to get those things.

I do agree that there is a step change that is required and given that I work on cities and local growth and have played a major part in delivering some of the devolution ambitions of Secretaries of State, there are people in Whitehall that do believe in this but sometimes we just do not get the right presentation back, which makes it more difficult for us.

Caroline Pidgeon AM: That is helpful. Alex, did you want to come in on this?

Alex Conway (European Programmes Director, Greater London Authority): It was a reflection of what you were saying. Both the previous Mayor and the current Mayor have promoted fiscal devolution measures. We would not need to be having the conversation around how Government must replace the EU funding with our funding if we had some level of flexibility and of course, as you all know, the UK does operate one of the most centralised and relatively inflexible local government finance systems in the world. I take Kris's point, however, I also just think it is so hard when you just compare ourselves with other countries, the UK is way off and I, like Kris, have worked on all sides, including in the regional offices that Lord Heseltine mentioned, and I have negotiated on both sides. I know how maddeningly slow and impossible it is to get even the most modest measures, no matter how great your argument, because that starting point [of centralised funds] is so high.

Caroline Pidgeon AM: Then my final question that leads on from it is: what should the Mayor and the Assembly do to really, given where we are, either promote the case for replacement funding for London or make the case for the idea of fiscal devolution so that we can stand on our own feet? However, in the meantime, if that is going to be too big an ask, how do we counter this idea that London does not need support? As we said, yes, there are pockets of London that are doing very well but, as we know, there are huge pockets of deprivation, some of the most deprived parts of the country. How do we make the case? Whitehall and Westminster, across all the political parties, have an anti-London feeling and it grows and grows. How do we counter that?

Alex Conway (European Programmes Director, Greater London Authority): Some of this came up when we were talking to the Mayor last week at the LEAP on precisely that point that you make. There is one bit, which is that we are exactly on the same side when it comes to talking to people, but we certainly have a shared view that EU funding needs to be replaced and that is something that we can all work together on.

Just on the point that Sian [Berry AM] made there around this index of multiple deprivation (IMD), the draft paper that is going to the Government shortly, you will not be surprised to hear, leans heavily on the fact that gross value added (GVA) is not a realistic measure of need, but IMD is much more reasonable.

Another basic fact people often forget is that London's employment rate is below the UK average. That is why London receives so much employment and skills funding in the first place from the EU and that needs

reminding all the way up the line. There are large amounts of people in London who are not in education, employment or training (NEET). That is a message we have to hammer home along with the IMD. That is understood in Whitehall; it is just very important, as Kris said, that we make that case loudly.

The Rt. Hon the Lord Heseltine CH: It is the same problem. They should devolve the unemployment budget. There is no experimentation; there is very little experimentation in how to get people back into work. This is a very acute problem. I do not need to tell anyone here that. However, it is run with a huge centralised machine. It should not be. There should be opportunities to free up the regimes locally so that we can see what happens when imagination enters the ring. There are lots of things happening, some in London, some across the country, particularly with very enlightened employers who are creating special opportunities. There are the urban schemes that I was talking about and there are all sorts of things, but these are at the fringe. I personally believe that if you were to involve the LEPs in the employment problem, just like the schools and the skills, you might be amazed what would happen. However, it cannot be more difficult than it is today.

Just one silly thing - well, it is not silly, really - with Albert Bore, Labour Leader of Birmingham. We were talking about this problem and I said, "Look, Albert, my anxiety is that there are all sorts of people doing these things in charge and they never meet". We agreed that we would choose one of his estates and we would call these people together and we did call them together and they never had met, some police and the county and this that and the other. It completely proved my point.

However, the thing that came out of it that I described wrongly as silly was the fact that I said, "Where is the Jobcentre?" because this area had high unemployment. "Two miles away." I said, "What is the bus fare?" "£2." Now, psychologically, to get someone to get on that bus, £2, when they are not going to be that much better off, even if they got a job, not that much better. I was in a local authority building with plenty of empty space, I said, "Why can the Jobcentre not come here?" It is so silly to have to ask that question as to be almost unbelievable, but it would have been the first thing that I would have done if I had called a committee of the people concerned. We do not need any more money; we just want once a week someone to come so that we can say to little Willie, who is a bit of a scrounger, "You are going to turn up here Monday morning and it is not going to cost you anything".

Multiply that into the enormously interesting schemes that some employers run to create jobs, but we do not do anything like that; it is all 'bompf'.

Alex Conway (European Programmes Director, Greater London Authority): Just to emphasise Lord Heseltine's point and something that Kris referred to earlier, in London one of the things we are doing with EU funds, is setting up employment programmes at a sub-regional partnership level. With the Work and Health Programme, it was an enormous amount of effort to get a tiny bit of devolution from the DWP to run things sub-regionally. We are waiting to see the results -- those programmes have just been procured now. What we do know is that under the previous programmes, employment programmes run by London boroughs and by the London Development Agency had consistently outperformed the national programmes of the DWP and the Skills Funding Agencies and so we are looking for more good results.

The Rt. Hon the Lord Heseltine CH: Port of London Authority, do you control that? No. The Port of London Authority, from here to the sea, is one of the great historic commercial waterways. Can we get tunnels? Can we get bridges? We have 29 bridges there; we have three here. The job creation potential of the Port of London Authority is huge. Some of it has happened. However, the disparity between the local authorities and their local plans and the national plan is not how you drive employment in an area that has plenty of unemployment.

Kris Krasnowski (Deputy Director, London and East Cities and Local Growth Unit, Department for Business, Energy and Industrial Strategy): Just to say, the Work and Health Programme, the sort of devolution that we were able to secure at the last MOU that will go live soon is something that I worked on personally quite a lot and was keen that would happen. To pick up on Lord Heseltine's point, to put a bit more innovation back into the system, I probably would also say, and it picks up on some of the work around the Thames Estuary Commission, but I used to support Lord Heseltine on some of these things, and it is a bit about ambition. It is about being bold and setting ambition differently. When we were looking at some of the data, if you exclude Tower Hamlets from a lot of that data, then that area looks as much as like any other part of the north.

There are some peculiarities around the data in London that makes you think differently once you exclude them and that sophistication probably, to a certain extent, is understood at one dimension by the Government, but when we design programmes it is probably less understood and so we tend not to really focus on it. I have been in lots of meetings where people have talked about GVA in London and in fact London, talking about how strong it is in terms of growth, and forgetting to mention there are pockets of deprivation, huge pockets of entrenched worklessness. To Alex's point, in a local economy that is really driving UK productivity, to have an employment rate that has lagged the UK average for three decades is just astounding and people do not understand that. Yes, we have lots of high skills, but where they are attracted to this economy, we also have lots of people with no skills and less chance of getting on in work.

Therefore, there are definitely big problems and some of those issues are not understood and it begs the question as to at what spatial level or geography should you be designing programmes. That is the kind of question that lots of people are tussling with and at a city region-wide level you might think you ought to be slightly better at doing that. Government policy changes over time and with favours, but individuals will have their own views. Certainly, in our part of the world we have been pushing this devolution agenda at city region level. We think it makes a lot of sense and you can tackle a lot of the problems in the round strategically and hopefully in the future we have more opportunities to do that. That is certainly something we would support as a department.

Len Duvall AM (Chair): Lord Heseltine, while we have you with us, we were just wondering whether you want to just give us some views on the wider issues around the EU exit situation that we face not just here in London but across the country in that sense. I caught a little bit of your interview and subsequently read the transcripts from Leading Britain's Conversation (LBC) a couple of weeks ago. Do you have any comments? We are seeing the Mayor tomorrow around these issues and I do take what you said: that we should be talking about this. It does not really matter whether we are leaving the EU or not; we should be talking about reforms and reviews to make things better for different approaches that give us outcomes. It just seems to me that as the EU Exit Working Group, we need to accelerate on some of those thoughts, because of the challenges we may face, the unknowns of leaving the EU and the challenges it presents, not just here in London, but to the rest of the country. Do you want to just comment, because you are a leading commentator on this?

The Rt. Hon the Lord Heseltine CH: I hate to impose my views on you, but given that you have explicitly asked for them, I can let you have them. The thrust of everything we have been saying today has been borne in on me over the last 40 years in public life. All the sort of schemes I have initiated and policies I have created have been designed to try to stimulate economic activity and social activity by the involvement of people, the use of competition, the incentivisation of available money, and all of that.

Therefore, Brexit did not enter into any of the thinking behind it. However, of course the Brexit dimension adds to the urgency. I put it in a simple sentence: Brexit is the worst decision taken by this country in my political experience. There is no upside and endless downsides, and I hope it can be stopped and anything I

can do to stop it I will do. However, I am fully aware of the limitations of my ability to do that, but I will argue for the supremacy of Parliament until the last dot and cross has been put on the i's and the t's. If I can stop it I will willingly do so.

However, that does not change the fact that we are not a well-run country. We are a badly run, over-centralised, functionally divided country and missing out because of that. If one thinks of stop/go, stop/go, that has been the economic phenomenon of the last five, six, seven decades. What it really meant is that London was overheated and everybody got a lot of go, however the moment that London got overheated you had to stop, probably before the benefits got to the more extreme parts of the country, which never had a go position. It was run for the benefit of that concentration of resource and political power in the southeast, which certainly spread to the Midlands and to Bristol in the west and that sort of thing. However, if you start going around the periphery, there was never any of these boom-time conditions.

Therefore, it is all part of that same functional concentration in London and many ideas we have talked about here today, and there are many more we could talk about, all pushing in the same direction. If you want the most obvious example, show me another country that runs itself the way that we do, and there is not one. All the advanced capitalist economies, and all the advanced economies are capitalist, are devolved. The essence of the capitalist theory is devolution, it is all about individuals and choice and competition and people. You have to regulate the market, the market knows no morality, but using the market as a vehicle for the purposes of wealth creation is the standard way in which economies serve their people. The issue is where you regulate, not about whether you have something to regulate.

That is my view and London is in many ways a classic example of this in microcosm because I can think of richer cities, I can think of more powerful cities, but I cannot think of a city that so combines world influence, history, culture, academia, money, as London. It is the preeminent world city. It has huge things going for it, but, beneath it all, there are these areas to which this beneficial world has not spread. We all today know how to do it. I do not know, I may be quite wrong, but I do not have any things that I would like to try that are new. There are lots of things we have tried that I would like to try more and deeper, but I cannot think of a new idea that is missing. Perhaps it comes with someone of my age, however my limited experience and what I have seen here and overseas tells me we know how to deal with the problems of inequality and all that. It is just a question of having the will to do it.

Len Duvall AM (Chair): Thank you. Thank you for those comments, and thank you to the rest of the guests for the way that you have answered our questions.

We will be looking at the transcript. We will certainly be writing to the Mayor formally about the issues that have been raised in the discussions. We might come back and clarify one or two issues with you and particularly if we want to directly quote you. Rest assured, even though this is webcast and we take running commentary minutes in that sense, we also work with the devolved bodies of Scotland, Wales and Northern Ireland, and we will share this work with them because they share their work with us. We think this is quite important that we do that and we will continue to do so. Thank you once again for the way that you have addressed our questions.

The Rt. Hon the Lord Heseltine CH: There is one point. If you are talking to devolved authorities, my report, *No Stone Unturned*, did not cover them. I went to see them but I am not sufficiently involved to be able to talk about it. However, my feeling is that devolution to Scotland, Wales and Northern Ireland is devolution to Edinburgh, Cardiff and Belfast.

Len Duvall AM (Chair): That is a very important point. Thank you once again.

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MINUTES

Meeting: EU Exit Working Group
Date: Thursday 19 October 2017
Time: 11.00 am
Place: Committee Room 5, City Hall, The Queen's Walk, London, SE1 2AA

Copies of the minutes may be found at: www.london.gov.uk/eu-exit-working-group

Present:

Len Duvall AM (Chair)
Gareth Bacon AM (Deputy Chairman)
Jennette Arnold OBE AM
Caroline Pidgeon MBE AM
Caroline Russell AM
Peter Whittle AM

1 Apologies for Absence and Chair's Announcements (Item 1)

1.1 There were no apologies for absence.

1.2 In accordance with Standing Order 8.2, the Chair noted that Jennette Arnold OBE AM was in attendance as an observer at this meeting.

2 Declarations of Interests (Item 2)

2.1 **Resolved:**

That the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, be noted as disclosable pecuniary interests.

3 Question and Answer Session with the Mayor of London on Exiting the EU (Item 3)

- 3.1 The Committee received the report of the Executive Director of Secretariat as background to putting questions to the Mayor of London, Sadiq Khan, on Exiting the EU and the future of London outside of the EU.
- 3.2 A transcript of the discussion is attached at **Appendix 1**.
- 3.3 The Chair noted that since the publication of the agenda, a letter from the Mayor in response to the Working Group's letter of 6 September 2017 had been received and circulated to Members. The letter is attached at **Appendix 2**.
- 3.4 During the course of the discussion, the Mayor agreed the following:
- To share with the Working Group the sectors to be discussed with the Secretary of State for Exiting the EU over the next four months;
 - To provide the Working Group with the joint submission from the Mayor and borough leaders to the Government regarding proposals for further devolution once it has been agreed;
 - To provide the Working Group with the speech given to European mayors in Brussels;
 - To work with the Assembly to consider opportunities for further devolution and proposals to be submitted to Government; and
 - To provide the Working Group with two papers from a recent meeting of the Leaders' Committee of London Councils on (a) business rates devolution and (b) a strategy between the Mayor and London Councils.

3.5 **Resolved:**

That the report and the discussion be noted.

4 Date of Next Meeting (Item 4)

- 4.1 The date of the next EU Exit Working Group meeting will be scheduled in due course.

5 Any Other Business the Chair Considers Urgent (Item 5)

- 5.1 There was no urgent business.

6 Close of Meeting

- 6.1 The meeting ended at 12.16pm.

**Greater London Authority
EU Exit Working Group
Thursday 19 October 2017**

Chair

Date

Contact Officer: Laura Pelling, Principal Committee Manager; Telephone: 020 7983 5526
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EU Exit Working Group Meeting – 19 October 2017

Transcript of Agenda Item 3: Question and Answer Session with the Mayor of London on Exiting the EU

Len Duvall AM (Chair): We are now on the main item on the briefing for today, which is with the Mayor. Thank you, Mayor, for giving some time to us today. Mr Mayor, we are going to ask you a number of questions. Clearly, there may be other issues that you wish to raise with us. Please feel free to do so if you can.

If I could begin with the first set of questions, it is really about the discussions with [Rt. Hon] David Davis [MP], Secretary of State [for Exiting the EU]. Just set out your strategy in those discussions.

Sadiq Khan (Mayor of London): Sure. I have been impressed with the engagement from [Rt. Hon] David Davis [MP] with me.

If I just explain, before [Rt. Hon] Theresa May [MP] became Prime Minister, when David Cameron was still Prime Minister after the referendum until his resignation, I had one meeting with [Rt. Hon Sir] Oliver Letwin [MP], who was the person charged by David Cameron to be in charge of Brexit negotiations and, obviously, it was early stages. I asked [Rt. Hon] David Davis [MP] firstly to be a member of the Joint Ministerial Committee for very good constitutional reasons - that is the devolved administrations of Scotland, Northern Ireland and Wales - and, not unreasonably, he said no. I did try very hard. He made an offer, which I accepted, which was to meet me regularly bilaterally to discuss with him my concerns about what Brexit could mean for London and also so that I could raise with him issues that I wanted to raise as the Mayor of London. I have met him six or seven times. On the last two or three occasions, I have taken experts with me from different sectors.

The initial discussions were about what we need to get out of a deal with the EU. My emphasis was in relation to a transitional deal with phased implementation, an interim deal, and a cast-iron guarantee for EU citizens. It soon became clear that phase one is - in inverted commas - the 'divorce' and phase two is then trade. I have then moved on to taking with me experts. I have a Brexit Advisory Panel and so I have taken with me on one occasion Sir John Sorrell [CBE, Designer and Chairman of London Design Festival] an expert in the creative industries. To the last meeting I took along Professor Alice Gast [President, Imperial College London] on higher education.

I was due to meet [Rt. Hon] David Davis [MP] yesterday, taking along an expert in relation to digital, but for understandable reasons he is engaged with the European Council. I have been impressed with his willingness to listen and engage and challenge me as I challenge him. When I meet people around the city, the good news is that it appears they have heard from or are about to hear from [Rt. Hon] David Davis [MP], a good sign because what you would not want is a situation where they have not heard from the Secretary of State or vice versa.

The proof is going to be in the eating, but I have been impressed with my engagement. I can raise points with him. Some of the things he cannot answer yet, for obvious reasons, and a number of the things we discuss are private and for reasons you will appreciate I cannot discuss, and that is part of the confidence-building measures, he in I and I in him, which is why things do not leak. That is really important.

Len Duvall AM (Chair): We do understand the private nature of part of that conversation and the bits that you can, but can you give us a flavour of some of the topics that you think you will be planning to raise in the coming months? I ask that because that might help us in terms of supporting you on some of the issues and doing some preliminary work with some of our expert witnesses.

Sadiq Khan (Mayor of London): Chair, I will share with you offline the various sectors I intend to raise with [Rt. Hon] David Davis [MP] in the next, say, three or four months and you can feed into those discussions. We decided what would be helpful for civil servants would be to take sector experts with me, not just me batting for London but people who are experts. I will send you the next two or three sectors we have worked out.

Just to show how things have moved on - and this is progress, I think, and I am not claiming sole credit - before the General Election, we talked about what you can call the transitional arrangements, the interim deal, phased implementation, and the response was, "Not really. We think we can do a done deal by March 2019". For a variety of reasons, we have now reached a position where, if you read the Prime Minister's speech in Florence, she accepts a transitional period but questioned two, three or four years. That is good. There is an issue about how we need certainty that I will come on to later on and maybe when by.

Another issue: you have seen overnight the Prime Minister's Facebook post to Londoners who are EU citizens and also around the country. That is progress, if you remember, I read and I was speaking to you before we started this meeting about how emotional the transcript was; I was reading of the open-mic session and some of the Londoners who gave evidence to the EU. You know the anxieties. That is progress made as well. Clearly, for me, one of the big issues is Londoners and movement and so we are going to carry on making progress. As we go onwards, it will be sector by sector.

The key thing now - and I suspect the next time I meet with [Rt. Hon] David Davis [MP] - is by when we need to sort out the transitional deal. When you speak to the Deputy Governor of the Bank of England, he says Christmas. If you speak to City UK, they say the first quarter. The Confederation of British Industry (CBI) says the first quarter. Why do they say that? They have to plan for what happens in March 2019. If you speak to the aviation sector, by the way, because the World Trade Organisation (WTO) does not apply to aviation, they say one year in advance of March 2019. Therefore, I suspect that that will be the key focus of our next discussion.

However, again, for reasons that you will appreciate, [Rt. Hon] David Davis [MP] has to be very careful in relation to what he says to me that is private because this can affect things like - and I am not overemphasising the role [Rt. Hon] David Davis [MP] has - the pound, share prices and all the rest of it. We have to be a bit sensitive about that information, but those sorts of things I am raising with him. Of course, I am very happy for you to make representations to me and suggestions which I will raise with him.

Len Duvall AM (Chair): Thank you for that. You mentioned about the role of the advisory group that you have established, but in a sense, you probably have two advisory groups. You have the Brexit Expert Advisory Panel and you have your Mayor's Business Advisory Board. Just paint us a picture in terms of how you found that beneficial to have in those discussions. Have you set up any other expert panels?

Sadiq Khan (Mayor of London): The Brexit Advisory Panel: we did not ask them how they voted, by the way. At issue was the expertise, financial, higher education, culture, sciences, life sciences. The relationship there is actually more bilateral and so my team will ring up an expert and say, "Listen, what is your view on blah?" For example, last week before I published an immigration paper, in wider relation to -- you will be

aware that the Migration Advisory Committee is looking at immigration. It does not report until next year, which causes us some concern, and so I gave a submission to them last week. Particular issues of expertise they have that we do not have in relation to a whole host of issues from construction to life sciences and higher education. A conversation will be had bilaterally rather than us meeting as a group. Their diaries are very busy. These are people who -- to get a date in their diary in three months' time is very difficult and so it is bilateral conversations, mainly virtual, emails and phone calls as well; very little face-to-face contact because of diary pressures.

Separately there is the Business Advisory Board, which advises on a whole host of issues to do with London's place as a pre-eminent place of business. Obviously, there is an overlap, but the Brexit Advisory Panel understands that their specialism, as far as I am concerned, to me and the expertise I want is on Brexit, on flexible workforces, on the movement of capital goods, labour, people and those sorts of issues. Also, for example, they will have private chats with me about, "Listen we are now making plan B. We cannot go public on this. We are letting you know, just so you know what we are doing", or, for example, some of the pipeline stuff in relation to announcements that we are making now, "Just so you know, the pipeline is not as heavy as it was a year ago or a year and a half ago and so do not be surprised if in 12 months' time things are not great for my company". They are those sorts of confidential conversations.

Len Duvall AM (Chair): The previous Mayor had Gerard Lyons advising him as his Chief [Economic Advisor]. Are there a number of people advising you on specific economic challenges for London? Is it a number of people that you are taking advice from or have you honed in on one particular person?

Sadiq Khan (Mayor of London): The Deputy Mayor for Business is Rajesh Agrawal. The Business Advisory Board has a huge role. All of them collectively meet regularly - the next meeting is next week - in relation to advice they give me. Then there is advice offline. There is no one guru I have that I go to who is the sole oracle. A whole host of people advise me on a whole host of issues.

Len Duvall AM (Chair): I just want to turn now and you mentioned earlier about the devolved nations. Of course, we are not Scotland, we are not Wales and we are not Northern Ireland, but we do have characteristics that are similar in terms of interests and where we work. In some of the letters that I have had back from you, they talk about how you are working with the metro mayors. Has that initial conversation with [Rt. Hon] David Davis [MP] pushed you away from co-operation with the devolved bodies or do you think that it is just not there?

I would like to make a counter push on that in the sense that, no, we are not Catalonia and, no, we do not go it alone and we are not making a bid for that and we are not saying we are of the same status. I agree with you that we do not necessarily need to sit around the table. You have explained, I thought rather well, this morning that actually the conversations with [Rt. Hon] David Davis [MP] are achieving probably a greater outcome than maybe some of those formal discussions that we are having around a committee table, in some senses, about a London perspective.

What would be the common areas in your view that we could work with them on? We are doing some work with the scrutiny bodies but we are just not --

Sadiq Khan (Mayor of London): Sure.

Len Duvall AM (Chair): Do I have it wrong - I am just responding to your letters?

Sadiq Khan (Mayor of London): I will just say first of all that representations have been made to me to unilaterally declare independence. I have declined those representations.

Len Duvall AM (Chair): Please do not.

Sadiq Khan (Mayor of London): Actually, if you like, I am riding a number of horses. There are the bilateral meetings with [Rt. Hon] David Davis [MP]. I have met and spoken to Nicola Sturgeon [MSP, First Minister of Scotland] and Carwyn Jones [AM, First Minister of Wales], Andy Street [CBE, Mayor of the West Midlands] and [Rt. Hon] Andy Burnham [Mayor of Greater Manchester], the Mayor for Cambridgeshire and Peterborough and the Mayor for West of England last week in relation to infrastructure and they are coming to City Hall shortly, all seven. One of the issues we will discuss is this. My officials speak regularly to Wales and Scotland. Northern Ireland is a bit difficult. We do speak to them. We talk to Gibraltar as well. There is lots of commonality, actually. You are right. Your analysis is correct.

I will give you an example. In Scotland, there is a need for talent. There is a skill shortage. They have a shortage occupation list. There are very few occupations on there, but they do have one and they have been devolved that power to do so. They have - I use the phrase - veto powers that we do not have in relation to the final agreement. Concerns they have are similar to us in relation to monies they currently receive directly from Brussels. Their concern is that if it goes to Westminster, will they be able to -- the United Kingdom (UK) Shared Prosperity Fund. We have similar concerns. The difference is that we do not have the veto. There are lots of commonalities and we speak regularly to them.

I will give you another example. At one of the evidence sessions you had - and I read the transcript with interest - about regional visas, it is obviously an issue that all of us are thinking about, but we all recognise that the nation state means one immigration policy. It is the UK Border Agency (BA), not Scotland BA or Wales BA or London BA.

We have regular conversations. Some of it is official-to-official, some of it is me with the relevant First Minister, but I would not want you to think that all our eggs are in the bilateral baskets. The Northern metro mayors have publicly complained, for example, that they have met [Rt. Hon] David Davis [MP] only once very recently. I know, for example, when I compare and contrast the meetings I have had with [Rt. Hon] David Davis [MP], they are more than the meetings Nicola Sturgeon [MSP] and Carwyn Jones [AM] have had. There have actually been only two meetings they have had with the Joint Ministerial Committee that the Prime Minister has chaired.

In my humble opinion, we are - nudge, nudge, nudge - achieving more but, to be fair, we will not see the benefits of these discussions until phase two, the trade part of it. The divorce part is important because of the three things that the UK has to resolve. Northern Ireland does not really involve us directly. The financial settlement does affect us because of things like Horizon 2020 and all the rest of it, which we can come into. EU citizenship affects us a lot and so we are involved in that and we have some progress there; again, I am not claiming all the credit.

The trade part is really important. We have a massive role. To be fair, the country needs us to do well in those discussions around trade because we are so important to our country's economy.

Len Duvall AM (Chair): I suppose the third part, which will come later, is about lobbying Parliament about some of the regulatory issues that we may lose or adopt depending on those trade parts around environmental

regulations and other issues - consumer issues - that are equally important. They are connected to trade but some of them will be Parliamentary Acts, will they not?

Sadiq Khan (Mayor of London): The EU Withdrawal Bill we are working on. We separately have a parliamentary lobbying operation taking place, cross-party, by the way. It has to be cross-party. That is really important.

I will give you an example. Andrea Leadsom, when she was the Secretary of State for Environment, Food and Rural Affairs (Defra), said - and I am paraphrasing - when she gave evidence to a committee, "Two thirds of environmental laws will be in domestic legislation". That begs the question: what is the third missing? If you look at the progress made around waste, around recycling, around air quality and a number of other issues, the issue is regulation, monitoring and enforcement. Even if we are missing a third of the legislation in domestic legislation, let us assume we had 100% of the legislation. It still begs the question of monitoring and regulation. We have to be very careful. The environment is probably the best example for us as London because what we do not want is a levelling down to worse than the EU.

My view is that we can have 'EU-plus' if we work cleverly with the Government and also with Parliament. It had to be the executive and the legislature, which means cross-party, but also discussions with the Secretaries of State, whether it is the Home Secretary-- One of my big concerns is in relation to security and so I am saying to the Home Secretary, "Look, it is really important that we have some red lines in relation to security, whether it is the Prüm Convention, whether it is the European Arrest Warrant, whether it is Europol, whether it is the Schengen Information System, whether it is the passenger information records. Irrespective of the deal that is made, we have to have at least as good as we have now.

In relation to [Rt. Hon] Michael Gove [MP], the new Defra Secretary of State, in relation to the environment, it is a different Secretary of State and we are having different conversations about what we want from domestic legislation.

Len Duvall AM (Chair): Good. We might want to consider that regulatory/monitoring bit in the future and try to get ahead of the game before we get into that actual activity.

This might sound a bit of an odd question but it is worth asking. I am thinking aloud. Powers and responsibilities currently exercised at European level: should we be trying to repatriate that, in the devolution debate, back to London? Is there anything you have come across yet where you think that? I am conscious that there may be elements of that. Yesterday we were having a discussion around European funding issues and about how that would work or not work and all the rest of it. That was one thought in my mind that possibly only came to me yesterday. Is there anything you feel you have come across that says that actually that should be part of the devolution debate here in the UK post-Brexit?

Sadiq Khan (Mayor of London): There are a number of different issues. One is what powers - and it is a small p - we have now. I accept and we should accept and we are committed to -- we do not have a Scotland Act or a Wales Act and so we have - I will use the phrase 'veto powers' but you get the point - in relation to things they will take back from Brussels to Edinburgh or to Cardiff or to Belfast. We do not have the same levers they have.

However, in relation to a future devolution deal, yes, there is a really serious discussion to have with the Government. For example, if just some of the London Finance Commission (LFC) recommendations from Boris Johnson's [MP, former Mayor of London] LFC or my second version were implemented, it would alleviate

some of the concerns we have as Londoners about some of the resources and powers going from Brussels to Westminster rather than from Brussels to London, Cardiff, Belfast and Edinburgh.

I will give you one example which you raised yesterday. I read the summary in relation to yesterday, a readout, in relation to the issues around the European Structural and Investment Funds (ESIF). Actually, if we are not astute, some of the monies we can bid for from Brussels, which is match-funded by Government departments and others including us, may go to Westminster and be lost from London. The irony is that we could have less control over our destiny afterwards than before. I am not saying that will happen but that is what we have to avoid and stuff.

There are two ways we have to answer. That is why the Greater London Authority (GLA) and the [London] Assembly have a big role to play in relation to those discussions because, if you are a Londoner who voted to leave the EU, I suspect you did not vote to have less control in the future after we have left the EU than we have now. That is what the Government has to recognise in relation to powers and resources down to the people nearest the coalface. If you are a Brexiteer in Government or even in Parliament, you need to recognise you want it to be a success and so that is why it is really important to have engagement. I am criticised by some people for having good, frank, candid chats with members of the Government. I do not apologise for that. London works when we work closely with the Government, whatever hue or colour the Government is.

Len Duvall AM (Chair): True. I suppose part of yesterday was really about how we all have different views about leave or remain and around the decision that has been taken following the referendum. The contention made by [Rt. Hon] Lord Heseltine [of Thenford] yesterday was almost - and I am paraphrasing - that regardless of Brexit, we need a new settlement here, but in terms of Brexit, it is more important to talk about a new settlement and some of those issues if we are going to face the challenges in the future. Is that where your contention is about some of this work?

Sadiq Khan (Mayor of London): We are leaving the EU. That accelerates the need for there to be greater devolution on a whole host of issues and the Government has to recognise that it is in nobody's interest for London to do less well afterwards than before, and that must mean more devolution.

You mentioned earlier on what working relationships we have with other metro mayors. That is one of the things we all agree on, by the way. Whether you are in the West of England, Cambridgeshire and Peterborough, Greater Manchester, Liverpool, West Midlands or the Tees Valley, we all agree that there needs to be greater devolution - by the way, Scotland and Wales as well - and that will make us more efficient on a whole host of issues and stuff. I am hoping that Brexit provides an opportunity to kickstart the devolution discussion that we had.

We do not need a constitutional convention in relation to some of this stuff. We can do it now. There are longer-term discussions about how there are people who live in London who feel disconnected from City Hall and their local council. Forget Parliament and Brussels. There is a separate discussion to be had there about how we better connect them to people like us. It is in nobody's interest for them to think politics does not work and we are all out of touch. That is a more medium- to long-term conversation.

In the short term, [Rt. Hon] Lord Heseltine [of Thenford] is right that Brexit should accelerate the need for a new settlement in relation to how we do things in the country and in the city.

Len Duvall AM (Chair): Of course everybody is working in a very pragmatic way following the referendum. If we turn to your personal views now about the situation, I saw somewhere today about some red lines on

particular issues that you think are important and that you have to get right, but also you have commented about a second referendum on the deal around that and that endorsement. Let us turn to those issues and just give us your views.

Sadiq Khan (Mayor of London): Let us first talk about red lines. The Director-General (DG) of MI5 this week has said that we face the most severe terror threat we have ever faced. Separately, we have heard the Head of Counterterror say that the increase in terror attacks and attempts for this year – there were seven thwarted – is not a spike but a shift. Also, we know about the cross-border criminality from guns, from kidnapping, from modern slavery and a whole host of issues.

We currently have very good bilateral links. If you listened to the Head of MI5, he was talking about joint operations and intelligence sharing, and so those bilateral links exist anyway. We have Metropolitan Police Service (MPS) teams in various big cities around Europe and around the world. In addition, we have excellent links with these countries in the EU because of a number of things: the European Arrest Warrant, the Prüm Convention. The European Arrest Warrant means we can bring bad people back swifter and vice-versa. The Prüm Convention means that we can share a whole host of things from DNA, fingerprints, vehicle details. We can check the names of passengers on watchlists because of the EU. Europol means we can see who is wanted and also who are potentially criminals in other countries. There other examples like the Schengen Information List as well.

Irrespective of the negotiations and how they pan out, these are things that we need to have even after we have left the EU. My point in relation to us is, irrespective of the deal we do with the EU, this makes us safe and secure. My point to friends in Europe would be: irrespective of what happens with the deal, this makes you guys safer as well. There is no downside to us agreeing on six, what I call, red-line areas. Let us get it over and done with as soon as possible. By the way, that creates goodwill on both sides in relation to all the other stuff that may be more contentious.

The second issue you asked about was a second referendum. Look, I accept the vote of the British public. I may not like it, but we are where we are. My job as the Mayor is to make it work. My job is to make sure that the deal we do with the EU is good for London. I say this: I don't think it will be as good as the deal we had before, but that is life. The British public voted on the referendum and voted to leave the EU. By the way, London voted to remain by a decisive margin, which has similarities with Scotland. Scotland, London and Northern Ireland voted to stay but I accept the verdict of the British public.

I was asked a question: are there hypothetical scenarios where you could have a second referendum? I gave those hypothetical scenarios, but in my negotiations, discussions and meetings with Ministers, with foreign dignitaries and with business leaders I always say, "Listen, we have to accept the verdict of the British public and work to make a success of the referendum".

I still think, by the way, that London can and will be the greatest city in the world after we have left the EU. Privately, I might think that it is despite leaving the EU, but that is not the point. The point is that the underlying strengths of our city will remain: our talent, the get up and go attitude, our universities, the legal system, the ecosystem. It is not just financial London; it is financial, culture, tech, research and development (R&D), science. Those underlying strengths are not going to go away. One of the reasons, Chair, I am going to India and Pakistan is to bat for London. I never go anywhere and do not speak volumes for our city, but I deal with evidence. I am never also blindly jingoistic about London. My jingoism is based on the evidence. We are a great city. Those underlying strengths are here. They will still be here even though we have left the EU.

Len Duvall AM (Chair): Thank you. I suppose, just to sum up in terms of that, I get the feeling, even from those who wanted to stay in the EU but particularly from the people who wanted to leave the EU, that they are coming to a view that no deal is not good enough for them in terms of that and the consequences of that. Is that what you are picking up in terms of when you talk to people who say, "Look, I voted to get out but I am really concerned about this issue and this issue and all the rest of it"? I am aware of some survey work which was done both for leavers and for remainers, who were saying, "Actually, we are worried about no deal".

Sadiq Khan (Mayor of London): Look, the best way to answer that is: you just talked about the voters. There is the Government and there are voters. In the composition of parliamentarians and the Government, they have moved. When I gave evidence to the Select Committee that [Rt. Hon] Hilary Benn [MP] chairs, the point I made there was that no deal means WTO terms. No deal does not mean *status quo*. There is a misconception even amongst politicians and the Government about what no deal means: goods, tariffs. By the way, 44% of our exports are to the EU. 44%. Imagine the tariffs on those goods and then the non-goods tariffs in relation to other issues, such as services. Sixty per cent of our exports are to countries that have to deal with the EU and 88% with countries and the EU where a deal is about to be done. Therefore, no deal means WTO, which is bad.

By the way, for aviation, there are no WTO terms. On aviation, there are no WTO deals, which is why [Rt. Hon] Philip Hammond [MP, Chancellor of the Exchequer] said last week - and he was not scaring people - that we have to understand that if there is no aviation deal with the EU, then what does it mean for our planes going to the USA, going to India and going to other parts of the world because the WTO does not apply? The Government is waking up to this now and the language. You saw [Rt. Hon] Amber Rudd [MP, Home Secretary] saying that it would be inconceivable for there to be no deal because she understands in relation to security her particular area and stuff.

There is a separate issue about voters. Look, people voted to leave for a variety of reasons. It is really complicated. Some of it is emotional. Some of it is the pace of immigration. Some of it is the impact on local services. Some of it is because they have seen a race to the bottom. There could be a variety of reasons why people voted to leave the EU. I think it is patronising when politicians say that people did not understand what they were voting for. I feel uncomfortable saying that and I do not say that. Some of it is in relation to promises made to them by people they respect, which we now realise, because the people who made the promises have said that it was just not true, but they believed the promises. It is a bit different.

What we have to do is to make sure we persuade those who are making the decisions why no deal is bad. Sure, as a former lawyer who used to negotiate, I can conceive of a situation where a deal is so bad that it is worse than no deal. I can conceive of that, hypothetically speaking, but that deal would have to be worse than WTO terms to be worse than no deal. There would have to be a deal worse than WTO that is better than no deal. Therefore, I accept, hypothetically speaking, there is a scenario where no deal is better than a bad deal, but the reality is that we have to do a deal with the EU.

By the way, the good news is the EU understands that. No deal is bad for the EU, too. I say this with respect to my friends in Europe and the mayors whom I meet regularly and I am going to meet the Mayor of Paris next week and other mayors. These companies that leave London, with the greatest of respect, probably are not going to go to Paris, Frankfurt, Amsterdam or Berlin. Some will. There will be some fragmentation. They are going to go to New York, Hong Kong and Singapore. Hard Brexit or no deal is not good for either of us, you EU or us London.

I am hoping and I have seen movement, by the way, from outside. Outside is the Government, by the way. Her Majesty's Government is outside. We have to recognise that. We are all on the same side here. I see movement from outside in relation to no deal being better than a bad deal, but we have to carry on making progress.

Len Duvall AM (Chair): Thank you for that.

Caroline Pidgeon MBE AM: I just wanted to pick up the conversation about devolution and looking at what you are going to develop as the ask for London because in one of the bits of evidence yesterday from the civil servant, he was very cautious - as all civil servants are - but he did make it very clear that everyone talks about devolution but it is never presented in a very clear, crisp, "This is practically, at every level, how it will work", to put the case to then be persuasive. I was wondering what work you are putting into that area.

Sadiq Khan (Mayor of London): That actually is quite relevant. I have written to the borough leaders around London about a joint submission we should do to the Government on this very issue, which I am happy to share with you once they have signed it off. It is with them now.

There are number of different things we can do in relation to pots of money that currently exist that we could get devolution for. There is the UK Shared Prosperity Fund, which the Government is talking about. There are no real details on what that means. Is it ringfenced? What does it mean? This is an unknown in relation to what it means for London but we are working with councils because what I do not want to do is to give an impression that we are trying to suck power into City Hall. It has to be London government. I am happy to share that with you in relation to what a devolution package would look like.

Caroline Pidgeon MBE AM: OK. We should not be afraid, though. Some things are best done at City Hall at a strategic level and --

Sadiq Khan (Mayor of London): Councils accept that in relation to a whole host of things like the ESIF. We can administer that far better. You heard evidence yesterday in relation to skills, enterprise, employment. We can do a lot. By the way, some of that is match-funded by the Department for Work and Pensions (DWP) and others who recognise that we are far better at doing that than Government departments are.

Caroline Pidgeon MBE AM: Yes, great. I would like to see that. We would be interested in that.

Jennette Arnold OBE AM: You just spoke about how you meet up with mayors and you said you are going to be meeting up with mayors at the next C40 meeting. I was just wondering about your relationship with the rest of the mayors - there are a good few of them - across the EU. These mayors will be voting or determining the future. I am just wondering whether you would agree with me that there is room for them to hear from you articulating that very point that you have just made: that no deal is bad for all European cities. I have not heard much about that. We have been talking about your relationship with metro mayors and your relationship possibly with London boroughs, but there is that powerful alliance of European mayors who, like you, need to understand that no deal or a bad deal absolutely diminishes all European cities. I do not know what work you are doing to reach out to them. It would not, if you like, have a conflict with this ongoing relationship that you have with the Secretary of State. It is part of your job to meet and do everything that you can. I am just aware that I am not sure that you have actually reached out to a meeting of all European mayors and given them your view.

Sadiq Khan (Mayor of London): I have. I am so sorry. I went to Brussels and did it. I went to Brussels and the centrepiece of my speech in Brussels was that a hard Brexit is as bad for you as it is for us. I am happy to circulate that speech I did in Brussels.

I also had all the ambassadors - all 27 - into City Hall and explained it to them. You have to do it with humility, not in an arrogant, jingoistic way. I said, "This hard Brexit is bad for us, but it is bad for you as well". We had a very frank conversation with the EU ambassadors.

I am meeting the Mayor of Sofia today. I meet regularly with mayors from other cities around Europe and ministers as well. I met Guy Verhofstadt [Belgian MEP and former Prime Minister of Belgium] two weeks ago when he was in London. You have to do it in a respectful way, of course, not in an arrogant way. I have said the same thing to the Mayor of Paris. We have had visitors to London, by the way, courting our businesses, which they are entitled to do. Those messages I have said openly and frankly to not just mayors of other cities across Europe but their ambassadors and ministers from those countries as well.

Also, the centrepiece of my speech in Brussels when I went on my trip earlier this year to Brussels was just that we should not pretend that any one city in Europe can take what London offers. Sure, some may fragment, but actually the real losers are all of us and the winners are Hong Kong, Singapore and New York because they are global cities that could take some of this stuff. I will carry on doing that because it is very important that people hear this. Again, you cannot say it in an arrogant way, talking down. It is just so that we are clear.

By the way, that is not just what I say; that is what the banks I speak to say. When you speak to these banks and these multinationals, that is what they say. I love Paris, I love Barcelona, I love Berlin. I love all of these other cities around Europe, but which other city in Europe is a global city with all the things that London has to offer? There are cities around the world that do and so you want to explain this to them. By the way, I have seen no evidence of European cities or European politicians that I have met wanting to punish us, saying, "You know what? Because you voted to leave, we are going to do a bad deal with you and hard Brexit. It will serve you right". They actually want to do a deal that works for them. They make the point, though, that you cannot expect to be better off or as well off outside the club as you are inside the club. That is not an unreasonable point.

Jennette Arnold OBE AM: Just to say, I totally agree with you. It is just that recently -- as you know, I am a member of the UK delegation to the Committee of the Regions, and the President there was speaking about the value of cities and of course of London. I am sure that if you were to get an opportunity and an invitation, the mayors there from Germany, from Austria and from across Europe would welcome hearing from you.

Sadiq Khan (Mayor of London): Sure. Thank you.

Gareth Bacon AM (Deputy Chairman): Mr Mayor, there has been a lot of encouraging common ground in your remarks today and in what we heard yesterday on a range of subjects but particularly on devolution. I agree with Caroline's [Pidgeon MBE AM] statement just a moment ago that actually there are some things that are best placed at City Hall. Leaving aside any party-political argument, there are some strategic powers that could do with coming here. I am not going to put up any straw men to be knocked down now, but in the paper that you are writing and sending off to the Government, you touched on pots of funding and things like that, but are you looking at powers in there as well?

Sadiq Khan (Mayor of London): There is the separate piece of work that we have done in relation to LFC II. There are separate memoranda of understanding (MOUs) we are having with certain Government departments.

Most recently this week I am meeting with [Rt. Hon] Justine Greening [MP, Secretary of State for Education] in relation to progress on adult education. These are department-to-department. What I have not done so far is an all-encompassing, new LFC III or a new devolution package, but I am open to ideas from the Working Group. We are not suggesting that because at the moment, if you remember the approach made last year with the Government around the MOUs and a whole host of issues from finance to land-value capture, we are in the process of almost finalising another health MOU. The separate devolution packages taking place with Government departments, which Number 10 co-ordinates, is not an overall new package post us leaving the EU.

Gareth Bacon AM (Deputy Chairman): When leaving the EU, we will not get to Brexit day plus one and things will stay as they are for generations thereafter. Of course, things will change as time goes on. It does not all have to be done in the space of 18 months, but there is an opening with Brexit to push for devolution and it is not just on the financial side. LFC I and II were primarily focused on financial powers and fundraising particularly and how we do land value capture and that sort of thing.

I am thinking more about what the mayoralty would look like and what local government in London would look like. We are often compared with New York but the systems are completely different and the New York Mayor has powers and responsibilities that we do not have here in London. The argument could be made: should we start looking at that? Should we start thinking about how we really upskill the political institutions that we have? That is something that should be looked at. Genuinely, at all levels, we need to be starting to think about what the ask is going forward.

I appreciate you have an urgent thing right now, but is that something that your office is going to consider going off into the future?

Sadiq Khan (Mayor of London): I am happy to work with the Assembly and others to look into that.

Gareth Bacon AM (Deputy Chairman): That is good because we would be very happy to work with you on that as well.

Sadiq Khan (Mayor of London): You are right that it has to be cross-party. It cannot be otherwise. You are right.

Gareth Bacon AM (Deputy Chairman): The other thing that I would plead with on that is that, in doing that work, it cannot be about what is party-political advantage. For my party at the moment in London, taking power away from you would be a really good thing, but we need to drop that because there are some institutional arrangements which could be very beneficial, regardless of who happens to be the Mayor.

Sadiq Khan (Mayor of London): The good news on that is that I am very impressed by the metro mayors. By the way, the majority are not Labour. It is an opportunity for us to recalibrate the relationship between cities and regions and Whitehall.

Gareth Bacon AM (Deputy Chairman): Michael Heseltine [Rt. Hon Lord Heseltine of Thenford] made the case, I thought quite effectively, yesterday when he talked about devolution and where things should be done. He has made that case for most of his career. He said it has nothing to do with Brexit; we should be doing this anyway. That was right. For those of us who were there, nobody dissented from that for a single second. That is the kind of tone that we need to take going forward.

Peter Whittle AM: Mr Mayor, the Chair was asking you about your personal position. I am very encouraged to hear you say that we should not patronise people. They voted for a number of different reasons and I would note that I have never actually heard you say anything to that effect. I am also quite pleased to hear you say that, hypothetically, you could see a position where no deal is better than a bad deal.

My question really is: are you of the opinion that one does hear mentioned that the contents of a deal should therefore be subject to a second referendum?

Sadiq Khan (Mayor of London): There is a step before that which is the vote in Parliament. It depends what Parliament decides. Many people who were advocating leaving the EU were advocating for the British Parliament being sovereign. You cannot have it both ways. If the British Parliament is sovereign, surely, they must have a vote on the deal our Government does with Brussels, the executive, and so the executive goes and does a deal with Brussels. It must be right if our Parliament is sovereign for the British legislature to have a vote on the deal that the British Government did. We will have to wait and see what that vote entails.

Peter Whittle AM: Yes, but after that, would you think that that should be then equal to a referendum?

Sadiq Khan (Mayor of London): If the Parliament we voted for - putting aside the Lords for a second - has decided to accept the deal made by the Government, I am not sure that it is necessary to have a second referendum because they have accepted it. The question, which is more interesting, is what happens if Parliament rejects the deal done by the Government, which it is entitled to do that because the British Parliament is sovereign.

Caroline Pidgeon MBE AM: It has been a very good discussion so far. I want to look at the key sectors in London. Looking at the financial services sector, people like the Chief [Executive] of the London Stock Exchange have been talking about how London could be stripped of lucrative euro-clearing facilities, which could cost investors £100 billion over five years, losing 230,000 jobs. What are the current concerns that you are picking up from the financial services sector and what is the current scale of planned relocations from the city?

Sadiq Khan (Mayor of London): I have to be very careful because some of the things I am told are in confidence --

Caroline Pidgeon MBE AM: Yes, of course.

Sadiq Khan (Mayor of London): -- and we do not want to have a domino situation. I will talk about the stuff that is in the public domain. There was a report very recently from a consultancy firm which said that if there is a hard Brexit we would lose £10 billion in terms of tax revenues and 75,000 jobs just from the financial sector. I was at a CBI lunch two weeks ago where Carolyn Fairbairn [Director-General, CBI] made an excellent speech and made the point that we must have details of the transitional deal by, at the latest, the first quarter of next year. Otherwise, businesses that are members of the CBI and others will potentially make plans to leave. It is in the press now that Goldman Sachs has reserved a number of floors on a residential development in Frankfurt and has reserved spaces in schools for some of their staff in relation to plan B.

Here is a really scary thing: there is no reverse gear. Once a company decides to leave and reserves office space in Paris, Frankfurt or Brussels and is paying those location costs, they are not going to pay another location cost to come back to London.

That is why when Len [Duvall AM] asked me in relation to the next phase of discussions with [Rt. Hon] David Davis [MP] about the priority, it has to be transition arrangements and deals. That is why today and tomorrow are so important in relation to the European Council. If it is the case, for example, that we are not able to bear fruit with the European Council and we cannot give details on a transitional deal this side of Christmas, it is a problem for us, particularly in the financial sector. I will tell you why. If you are a bank which already has a presence in a city in Europe, you have a bit more lead-in time. If you do not have a presence in a city in Europe, you need at least a year to 18 months lead-in time to set up an office.

Caroline Pidgeon MBE AM: The steps you are taking to try to protect our financial centre and particularly -- in the conversations I had had over the conference season with people from the City, they were saying, "We need something by the end of this year. We cannot go any longer". Are you getting any sense from the Government as part of, I guess, the next stage of the trade deal that there may be some scope for much greater transition to really help some of these City firms so that they stay in London?

Sadiq Khan (Mayor of London): Can I just say this? I am not underplaying the role we have. It really boils down to the Government being able to give some assurance and certainty to these businesses. By the way, they read all the stuff we say in the media. They read what is happening in the high ranks of the Conservative Party. They will have seen today some people talking about just walking away if we cannot do a deal with the EU this week, which is not what we want. By the way, I don't think the Prime Minister is listening to those representations; the Prime Minister and her team get the reason why it is important. That is why you have seen a change. If you just analyse what our Government has said over the last few weeks, there has been progress made. The problem is that different people say different things --

Caroline Pidgeon MBE AM: From the Government, yes.

Sadiq Khan (Mayor of London): -- which these businesses see. We need some movement this side of Christmas. Those who are saying the first quarter next year are being optimistic. By the way, we have not discussed a deal on aviation and financial services. That is another worry that people have as well. Business leaders do not scaremonger. It is not in their interests. It could be alleged that we do it as politicians, but they do not need to because they are thinking about their businesses. At the end of the day, if you are the chief executive officer (CEO) or senior person in charge of a business, you are accountable to your shareholders and you are going to answer the question, "Why did you not plan for a contingency that was foreseeable, which is there being no traditional deal or it being a bad one?" That is why they are getting a bit nervous.

Caroline Pidgeon MBE AM: Thank you. What reassurances are you getting from the Government for London business and sectors that rely on low-skill and medium-skill occupations for them being able to continue to recruit from the EU at least in the short term?

Sadiq Khan (Mayor of London): The phrase we should use is 'lower-skill'. It is lower-skilled EU citizens who are in London from hospitality, accommodation, social care, admin, manufacturing, construction, a whole host of jobs being done. Roughly speaking, between a third and 40% are EU-born outside the UK.

The good news is that the Government is starting to make progress in relation to the guarantees to those who are already here. There are two tranches: those who are already here and those we need to still come because of the dynamic workforce. Unemployment rates, generally speaking, are quite low, but we still need to fill vacancies. There are so many unfilled vacancies across London, particularly in the lower-skilled jobs.

There are two things that should worry us. One is that we are not seeing people from the EU coming to fill those vacancies. By the way, there are not sufficient people unemployed – inverted commas – indigenous to fill those vacancies, either. People are not coming. Two: people are starting to leave. That should worry us.

So far, the Government has made no movement in relation to what happens post leaving the EU. The good news is that there has been some movement from the Prime Minister with the Facebook stuff overnight, which gives some reassurance, but not enough. This was June 2016; we are now in October 2017. You heard the evidence yourself from those, and so not enough, but there is some reassurance for those who are already here and nothing for those who we need to come in and stuff.

By the way, if we are going to grow more fruit or grow more food, anybody who understands anything about growing more food understands that actually it is lower-skill stuff done by EU citizens, mainly, and so ...

Caroline Pidgeon MBE AM: OK. There is nothing moved on that. The London Chamber of Commerce and the City of London [Corporation] have put forward this idea of a London visa. Is that concept off the table now? What kind of immigration policy are you pushing the Government for?

Sadiq Khan (Mayor of London): The London Chamber of Commerce, PwC and the City of London Corporation have done some excellent work in relation to regional visas or regional work permits. You can call them whatever you want. In the words of PwC, they call them ‘thought leadership papers’. They were trying to provoke thought and get this moving. They did some really good work. They looked at Canada and other parts of the world.

In my view, that is a plan B or C. We are not all there now, but the real prize is a national immigration system that understands what our needs are. Let me give you one example of why this is so important for us. The Government talks about immigration that is net tens of thousands. Let us say for argument’s sake that it is 99,999, tens of thousands. We take roughly 38% of net immigration and so we would get 38,000 net immigration on the new system. In just construction alone, we employ 300,000 in London. Half of those are UK-born. Up to 20% are retiring in the next five years in UK-born construction. Just construction would struggle badly with tens of thousands going forward and that is before we get into culture, tech, finance, social care, teaching and all the other areas.

That is why I cannot give you optimism in relation to the discussions I have had going forward. I do think [Rt. Hon] David Davis [MP] gets it. That is the first step in any--

Caroline Pidgeon MBE AM: Yes, absolutely.

Sadiq Khan (Mayor of London): You have to make sure that the person understands what your concerns are. He understands London’s concerns.

The two points I would make are these. We need it but also the referendum vote in London confirms we want it. That is a very important distinction from other parts of the country. I say this is in an unpatronising way. They need it but they do not want it and that is a discussion for them to have. I have not been focused on that. That is not for the Mayor of London. There is some overlap but it is not really my priority. In London, we want and need it. To be fair to [Rt. Hon] David Davis [MP], again, I have given him too much credit but credit where it is due. He gets the point. The points that we are making, [Sir] John Sorrell is making, Alice Gast is making, we have been making are landing.

Caroline Pidgeon MBE AM: It is reassuring to hear that you are having such constructive talks, just watching the news broadcasts, you just feel so depressed about this whole subject.

My final question to you is about that issue you are saying about UK-born workers. What support? What are you doing to fill that skills gap? If you have all these people retiring, it makes it even worse. What are you doing there?

Sadiq Khan (Mayor of London): You have touched upon a really important thing that we have to do as politicians, which is not give the impression - and I am not saying you are and you never do - that we must not redouble our efforts to skill up our own people. I say that in shorthand but you know what I mean.

My point is this. We have to make sure that we skill up Londoners for the jobs of tomorrow, but I am saying even though we have a construction academy, a digital pipeline, all the work we are doing with Skills for Londoners - some of it funded by the EU, by the way - we still need a dynamic EU workforce coming to London.

I make this point and you asked your first question about lower-skill workers. Actually, lots of the jobs we are talking about are lower-skilled and we have to recognise that even if every single unemployed Londoner who is not EU citizen was to do these lower-skilled jobs, even if they wanted to, there would still be vacancies. That is my point about a dynamic workforce. You have to separate EU people coming here from non-EU. There is a different discussion about how clunky non-EU immigration is and the problems around students, but you recognise that in London we need lower-skilled people doing these jobs. From our personal experience from buying a sandwich to going to a hotel to a whole host of issues, we know the huge role they play in helping our city tick over and helping our city become thriving and flourishing.

Caroline Pidgeon MBE AM: There are more medium-skilled jobs. You talked about construction but childcare and all those sorts of things are really propped up by EU citizens. Are you looking at putting in some specific programmes - whether it is through the London Economic Action Partnership (LEAP) or whatever - to try to target those groups?

Sadiq Khan (Mayor of London): Yes. The LEAP is doing lots of work around this. You will have heard yesterday of some of the work that has EU funding around enterprise, around lower-skilled, around getting people back to work, the skills agenda and stuff. The stuff we are doing around digital is also around this. Some of this stuff will not bear fruit for a while because there is - do not forget - an immediate need. Some of it will bear fruit pretty soon. However, that will not fill the massive gap which has been left by the Brexit discussions and Brexit ultimately.

Caroline Pidgeon MBE AM: Thank you very much.

Gareth Bacon AM (Deputy Chairman): Mr Mayor, we had a discussion yesterday with Alex [Conway, European Programmes Director, GLA], among others, about the ESIF. This is the - I was going to say 'scaremongering' session, but it is not really - scene-setting section. Which of your programmes would be most at risk if the Government did not replace the European structural funds to the same level they are at the moment?

Sadiq Khan (Mayor of London): There are a number of them. I can go through some of them for you. There are three big pots of money: the ESIF, the separate transnational fund Horizon 2020, and then separately the European Investment Bank.

As far as the ESIF is concerned, the big areas of spending in relation to that are around skills. I will give you a couple of examples. You heard of one yesterday - the Enfield project - and I will not go into that again. The British Fashion Council gets significant monies from the European Regional Development Fund (ERDF). Some of the energy efficiency work we are doing gets some money from the ERDF. The work we are doing in relation to training people and the Drive Forward Foundation gets money from the same pots of money. That gives you a flavour. Basically, think about it as employment, skills, enterprise and some of the low-carbon stuff.

Just to remind those who are not experts, a lot of this is match-funded by the Government and by us and so we should not assume --

Gareth Bacon AM (Deputy Chairman): We heard, yes.

Sadiq Khan (Mayor of London): It is money we put in and, again, we put it into a pot of money and we bid for some of it back and then we match-fund. It does lead to big differences.

Gareth Bacon AM (Deputy Chairman): The Government has said that it will replace it and the method for doing that is the UK Shared Prosperity Fund, but there is very little detail in the public domain around what that will mean and how it will work.

The match-funding thing is interesting because people will focus on the £500 million or thereabouts that we get from ESIF, but that is match-funded and so it is really £1 billion. If the *quid pro quo* for this is that we get only £500 million and not the match-funding, then you are down £500 million, which is not great.

In the context of your discussions with the Secretary of State - and I mean [Rt. Hon] David Davis [MP] when I say that - is that something you have touched on? Do you know more detail about that?

Sadiq Khan (Mayor of London): The detail of the UK Shared Prosperity Fund is sparse in public and it is sparse in private as well. The match-funding stuff is important, though.

Can I give you one specific example which is relevant to our discussions? On the Adult Education Budget (AEB), we have an MOU with the Government that they will be devolved to us in 2019/20. From the European Social Fund, we have £200 million we can use for skills, which is one of the reasons why we cannot afford to delay on the devolution because, if we do, we could lose the -- because it is match-funded, we would want to use £200 million from here and we would get £400 million. If we get this wrong and devolution does not happen, it means we lose £200 million. It is match-funded so we lose £400 million. We have not just lost £200 million.

Therefore, you are right to make that point on match-funding. The details are not there. That is why my criticism publicly is that we need details because the details are there for assurance. You heard yesterday some of your witnesses just needing that reassurance.

Just to remind people outside of London, unemployment rates in some parts of London are very high and deprivation rates in some parts of London are very high and so we need this money. I do not want people to think that we are the city of milk and honey where everything is hunky-dory. It is not. This money is needed to help Londoners fulfil their potential, get the skills and be good taxpayers.

Gareth Bacon AM (Deputy Chairman): Is this one of the subjects you have been pushing with the Secretary of State?

Sadiq Khan (Mayor of London): It has not been a specific agenda item but it has been an issue raised in general, raised in particular around the life sciences discussion. Life sciences levers in a lot of money from Europe in relation to not just Horizon 2020 and the Erasmus stuff but, as a city, we get the most money from some of that joint research funding stuff and we would be the biggest losers. In the first sector meeting we held on life sciences, it was a big issue there in relation to how we would be affected going forward.

The short answer - not in a flippant sense - from the Government is that in the short term, [Rt. Hon] Philip Hammond [MP] has guaranteed up until 2020, which is some reassurance. When it comes to some of the life sciences and R&D work, it is for three, four and five years and so goes over 2020, and they need to have some answers. If you are a talented scientist from any part of the world and you have come to London, you want to know you have funding for three years, for five years or for seven years. You are making life choices based upon this funding going forward. That uncertainty is causing huge problems in particular in life sciences. You were given other examples yesterday in relation to Enfield Enterprise. Those are shorter-term issues but for life science it is a big issue. There is no detail yet.

Gareth Bacon AM (Deputy Chairman): Is this something you will be pushing in future meetings with the Secretary of State?

Sadiq Khan (Mayor of London): Absolutely, yes.

Gareth Bacon AM (Deputy Chairman): Thank you, Chair.

Len Duvall AM (Chair): There was a congress of leaders [Leaders' Committee, London Councils] meeting last week, I believe. There were two items on the agenda, unconnected but connected. One was the devolvement of business rates and the other one was around the beginnings of a discussion about a strategy between you and London Councils. Would it be possible for us to have access to the papers, if we could?

Sadiq Khan (Mayor of London): Absolutely, yes.

Len Duvall AM (Chair): Thank you for that. One of the future issues came up in the discussions yesterday. It is not so much in terms of capacity for the LEAP but the changing nature of the challenges the LEAP faces in a post-Brexit agenda. I know that it will open up a geographical issue on whether we should have one LEAP or a number of LEAPs in London and I still think you can have devolvement even if there is one strategic LEAP in terms of the work carried out on the ground. Are there any initial discussions around looking at the role of the LEAP post-Brexit?

Sadiq Khan (Mayor of London): There was a review that was undertaken in relation to the London Enterprise Panel (LEP) before it became the LEAP. It leapt from a LEP to a LEAP. That review has been undertaken, not specifically thinking about Brexit or the consequences of Brexit. A lot of thought has been given to devolution.

Let me give you one example. One of the areas - depending on which time of day I am asked the question and depending on how glass-full I am - I am really excited by skills because of the devolution of adult education. Businesses are finally getting why it is important to train up Londoners. What is the biggest gripe that employers have? "People do not have the skills we need." Employees are up for it. Devolution of AEB, the

apprenticeship levy and Brexit make it very exciting, potentially, if we get it right in relation to skills in London and stuff.

The LEAP is already adept to do that. We have business representatives from small, medium and large employers. We have some people from the councils. We have people from different parts of London. The LEAP is in a good place to capture that.

People have not given specific thought in relation to the consequences of Brexit going forward. We realise it is around the corner with the caveat that we are not sure how long the transitional period will be. Let us say for argument's sake that it is three years or let us say it is two years or let us say four years. That means actually - I am not being complacent, by the way - we are now talking about 2021, 2022 and 2023, which gives us some more time to understand the detail because we have to plan. It is difficult to plan for something without knowing what is coming. A hard Brexit is something very different from access to single market to a deal with the EU. That is why it is a bit difficult.

However, we recognise the skills agenda is so crucial for us here. Caroline [Pidgeon MBE AM] and I were just talking about EU lower-skilled migration, but actually our future must be as a higher-skilled, higher-paid economy. There is no alternative. We cannot compete with some parts of the world in relation to lower-skilled, lower-paid jobs. That is before we get into automation and artificial intelligence (AI). We are doing work on automation and AI, by the way, and legal stuff because that is around the corner.

Len Duvall AM (Chair): I am not planning to ask any further questions around crime and security because we have covered that and you quite eloquently told us what your position is on that. We might comment further in a letter or an exchange of letters with you. Let us move on to the last ones about EU nationals.

Caroline Russell AM: This relates to an open-mic session we held in the summer when we heard really devastating testimony from people who are finding that they came here with trust, they made their lives here and they are suddenly facing a degree of uncertainty that is really very difficult for them. We heard about a mistrust now with EU citizens engaging with institutions like the National Health Service (NHS) or education because they are worried about how their data is going to be used and whether it is going to be used against them and whether it might mean that they are unable to stay. We heard about women falling through the gaps if they have been involved in part-time work because of caring responsibilities either for older people or for their children and finding that they are not qualifying for whatever the hoops are that they are expected to jump through. We heard from organisations that are trying to provide support, but there is such a lack of clarity about what the law will be and what hoops people will have to jump through in order to be able to stay here that it is very difficult for them to give advice.

We wrote you and we are grateful for your response, but I just wondered. We called on you to show further leadership in tackling these issues that EU nationals are facing living in our city. Do you agree that this further leadership is needed and, if so, what exactly will that involve?

Sadiq Khan (Mayor of London): Firstly, look, I have read the transcripts of the session you had and it is often very difficult to get emotion from a transcript but the emotion was there from the transcript. I particularly was upset by some of the open-mic sessions, which were deeply upsetting. These are people. These are our neighbours. These are our friends and members of our families.

You could sense this, though, if we are honest, from 24 June last year. People who had been here for years and years felt this was an attack on them. They took it personally. That is aside from the rise in hate crime. I

have tried since 24 June [2016] to provide that leadership saying that London is open, thanking Londoners who are EU citizens for their contributions, saying they will always be welcome here. Of course, we can always do more and I have tried to do more.

I say this, Caroline [Russell AM]. I have looked at other leaders around the country and at what others have done. If there are ideas I can pinch, I am happy to pinch, but I say this with humility. Nobody has done more than I have to try to reassure these EU citizens that this is their home and that we value them. They help us be the greatest city in the world. We do not want that to change. What they need, though, and what they are asking me for is to put pressure on the Prime Minister to give them the assurance I cannot give and to ask the Government to give them the certainty I cannot give. That is why I welcome - although it has not gone far enough - what the Prime Minister did overnight in relation to Facebook and the post she made.

The reality is that people are making life choices. I have spoken to managers on construction sites who tell me that some of their teams have left and gone back to countries of origin because they would rather be - in inverted commas - the first ones back before the rush begins. I have been told that they cannot fill vacancies because people are not arriving. I have heard some of the stories we have heard about mortgages not being able to be gotten or people making life choices about applying for passports for other EU countries. This is happening now and we are now in October 2017.

I am happy, and I hope my response was taken in that spirit, I am very happy to receive your ideas and I will carry on doing whatever I can to make these Londoners feel welcome.

Caroline Russell AM: All of the stuff that you are doing to lobby the Government to provide people with certainty is incredibly valuable, but people need concrete help here in London right now. They need access to advice. They need more support. After the Citizenship and Integration Initiative, which was set up in April [2017], I just wonder whether there is more that you could be doing for these Londoners in terms of helping to make sure that people do have access to the advice of the most up-to-date situation in terms of what they need. Is there anything else you can do on that?

Sadiq Khan (Mayor of London): There are more things we are doing. We are working with London Councils in relation to the Strategic Migration Partnership. You talked about the new initiative we have set up, the Citizenship and Integration Initiative, working closely with London citizens in relation to that. Some of the pieces of work we are doing are in relation to policing to make sure that every borough now has a hate crime liaison officer, which is really important. We have separately set up the online hate crime database. We are happy to receive ideas in relation to what things we can do and we will carry on doing more.

However, all these things are a plaster on what is a big issue, which is the lack of certainty that people have about their futures. That is why it is crucial and that is why I welcome what the EU did. The EU said that one of the first things that has to be resolved as a matter of urgency is the rights of EU citizens. By the way, that includes British citizens in the EU --

Caroline Pidgeon MBE AM: Yes, absolutely.

Sadiq Khan (Mayor of London): -- and also EU citizens who are here and I welcome that. That is why I welcomed the move by the Prime Minister in October 2017 to give some reassurance. It is not the cast-iron guarantee I have been calling for.

Caroline Russell AM: Specifically around hate crime, can you give us any update on resource or advice centres that could be provided here in London?

Sadiq Khan (Mayor of London): The key thing is to give people the confidence to report when they have been a victim of hate crime, not to think that anything is too trivial to report. Let the police determine whether it is a crime or not. By the way, a crime is a crime whether it is done online or whether it is done face-to-face. That is why the online crime hub is very important.

We have to build confidence in these communities. A lot of these communities - our communities - do not have the confidence to report things to the police or people in positions of power. Can we encourage third-party reporting? We are trying to do that as well. How the British Transport Police and Transport for London (TfL) respond is very important and the NHS response. It is trying to educate those who are meeting citizens on how to deal with people who report hate crime.

The good news is that the spike we saw after the referendum - and there are other hate crimes we see after terrorist attacks - has come down. We are better at addressing people's concerns. People do have a sense of belonging in London. People still love living here. We just have to make sure we are not complacent.

Caroline Russell AM: Thank you.

Gareth Bacon AM (Deputy Chairman): Thank you, Mr Mayor. You talked about the Prime Minister's Facebook page, which I have read. I have it in front of me. You welcome it, but say it does not go far enough. What is missing? What would you have liked her to say in addition to what she did say?

Sadiq Khan (Mayor of London): First, it is October 2017 and some people have had this uncertainty caused by the delay --

Gareth Bacon AM (Deputy Chairman): I take your point, but what is missing from the statement that you would want on top of what she said?

Sadiq Khan (Mayor of London): A cast-iron guarantee they will have the same rights in the future as they have now. What happens to those who have come since June 2016?

Gareth Bacon AM (Deputy Chairman): What she said is:

"I could not be clearer. EU citizens living lawfully in the UK today will be able to stay. This agreement will not only provide certainty about residents but also healthcare, pensions and other benefits."

Sadiq Khan (Mayor of London): Yes. What happens to those who came post June 2016? What happens to those who --

Gareth Bacon AM (Deputy Chairman): What she said is, "EU citizens living lawfully in the UK today", October 2017, "will be able to stay", so that would apply to those who have come since the referendum.

Sadiq Khan (Mayor of London): Somebody who comes tomorrow? Say somebody here is in love with somebody and arrived last week but the partner they are in love with comes next week.

Gareth Bacon AM (Deputy Chairman): That is the bit that is missing?

Sadiq Khan (Mayor of London): I can send you a list of the concerns I have with her statement. The point is that I welcome it but it does not go far enough. What there should be is a cast-iron guarantee that everyone who -- it depends what day you use. In my view, use a date at the end of the transition. Everyone who is here before the end of the transition has the same rights they had before June 2016. It is really important that they are given a cast-iron guarantee on a whole host of issues. You mentioned health in relation to the particular issues. What about family reunion? What about people who are here but their partner or family or others are in other parts of the EU? There is a whole host of issues that are not addressed by that. If the Prime Minister were to say today, "I gave a cast-iron guarantee that every EU citizen in our country who was here before the end of the transition period will have the same rights they had before June 2016", people would be reassured.

Len Duvall AM (Chair): Can I thank you, Mayor, for the way that you have answered our questions? Is there anything else you want to say to us that you think that we have not quite covered or done justice to in terms of the issues that you have taken today?

Sadiq Khan (Mayor of London): The final point I would make is this, Chair. First of all, thank you for having me here and for the way we have spent the last hour.

No one has ever done this before: leaving the EU, reaching a deal with the EU, having a changing relationship with the EU. We are all learning along the process and stuff. If there are things I could be doing better, I am really happy to take advice from the Assembly. If there are things that you think we have not thought of, do not hesitate to let me know, whether it is Caroline's [Russell AM] advice in relation to how we make EU citizens feel more welcome.

Similarly, we have to put more pressure on the Government. It is the point that Gareth [Bacon AM] raised in relation to devolution going forward. This is an opportunity for us and so we are literally writing the rulebook. I am really happy to be tutored. We have to have that spirit of working together because we will kick ourselves if a deal is done and it is not good for London. That is not good for our country.

Len Duvall AM (Chair): Thank you very much for that. I hesitate in terms of being amongst different political opinions around the table, but I think we are very reassured by the dialogue that you are having with [Rt. Hon] David Davis [MP] and the way that you have explained that to us and the issues that you are picking up. Of course, there are issues that we will write to you about if we feel that we just want to make sure whether you are doing it either to reinforce what you are doing or to suggest some other alternatives.

Thank you very much for your time today. We will schedule another time that will be appropriate. If you feel there is something you want to come back to address us on then you can say. It is two ways.

Sadiq Khan (Mayor of London): I did have one suggestion, Chair. Even if he is not going to come back, whether you invite [Rt. Hon] David Davis [MP] or somebody else from the Government, just to ask the questions you have asked to me, because it would be interesting to hear their views in relation to the discussions and negotiations and what London can get out of it.

Len Duvall AM (Chair): Thank you. Very helpful. Thank you very much.

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Len Duvall AM
City Hall
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Our ref: MGLA060917-6392

Date: 17 OCT 2017

Dear Len,

Thank you for your letter of 6 September in relation to London Assembly EU Exit Working Group's session on the concerns of EU nationals in London and the support they now need.

As you know, my message to EU nationals in London is clear: you are welcome here and, for those who have made the capital home, you are Londoners. This is an area where I and the Assembly have significant agreement and I am keen that we work together to make sure EU nationals here continue to feel that this is their city.

Your letter makes a number of important points, along with a number of recommendations for me to consider. I have responded to these below.

A good deal for EU citizens

My argument to Government has been consistent since the referendum: London needs to remain open. This cannot mean a hard Brexit and, since the General Election result, I have called for the UK to remain in the Single Market. I believe this is in London and the country's best interests. I have been vocal in calling on the Government, including in my regular meetings with the Secretary of State for Exiting the European Union, to give a cast iron guarantee to EU nationals living in the UK that they are entitled to remain here permanently - and for the EU to do the same for UK nationals in member states.

It is unacceptable that people's lives are left in limbo, along with the uncertainty this brings to employers and business. I believe the Government needs to recognise the right of EU nationals in the UK to permanent residence and to set up a straightforward process for confirming this, as soon as possible.

EU nationals feel welcome here

It is important that EU nationals are guaranteed their full rights and entitlements and the Government needs to provide clear guidance to service providers and employers. I will continue to raise this issue with Government to ensure the message and information provided remains clear and current. A number of the examples of discrimination you gave are, of course, relevant to people of any nationality. As an international place, with more than a third of Londoners born outside the UK, this goes against our reputation for being a welcoming and fair city. I will oppose all forms of discrimination - from barriers to access to housing and employment, to opening a bank account.

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On the latter, I believe it is important that financial services firms follow advice and guidance issued by the Financial Conduct Authority and other industry bodies to ensure customers are treated fairly. I would be happy to pass on any evidence to the Government of Londoners who have been unfairly discriminated against in applications for credit, such as mortgages, because of their status as EU citizens.

I will work with the Assembly to make sure we remain a city for all Londoners. As you indicated, this principle is an important part of the #LondonIsOpen campaign, which I launched immediately after the referendum result, and which is sending out a strong message across the world. This campaign is continuing, and you may have seen further #LondonIsOpen activity on Transport for London's transport system advertising network over the summer and autumn.

I am working with London boroughs, through London Councils and the London Strategic Migration Partnership, to improve the information available to Londoners, address the needs of migrants and provide effective strategic oversight of these complex issues. This is led by my Deputy Mayor for Social Integration, Social Mobility and Community Engagement, Matthew Ryder. He will continue to develop wider engagement work with London boroughs and raise the issues faced by EU citizens across London. Through our work on social integration and community engagement, I will work in partnership with boroughs to ensure all Londoners feel welcome and integrated into local communities.

In April, I announced a new Citizenship and Integration Initiative, which has been developing work to help young Londoners access their citizenship and residence rights. I understand your concerns about the current needs of those seeking advice from agencies that are stretched and do not always have sufficient specialist knowledge. This is an issue we are considering carefully as part of that Citizenship and Integration Initiative work. It is clear that the system EU nationals go through should be as simple as possible and that the Government must provide information and support to all EU nationals, and especially those who are most vulnerable.

I have made a number of specific commitments on hate crime in my Police and Crime Plan published earlier this year. These commitments are designed to, among other things, raise awareness of hate crime, encourage those who are victims or witnesses of hate crime to report it, and increase the ways that hate crime can be reported. My Deputy Mayor for Policing and Crime will be working with statutory and community partners, including those that support and represent EU citizens, on how best to deliver on these commitments. Hate crime will not be tolerated against anyone in London, whoever they may be and wherever they are from.

A good deal for London

You also raised the important issue of devolution and, in particular, the need for a new post-Brexit settlement. My position is that the UK should remain in the Single Market. This is vital for London's economy – the capital has thrived through the free movement of goods, services, capital and people.

I agree entirely with your call for a new London Fund to replace the European Regional Development and European Social Funds currently managed by City Hall - the Government's proposed *Shared Prosperity Fund* should devolve funding to local areas as city regions are best placed to identify local priorities and enable partnerships to deliver programmes effectively. I have made this case to Government and will continue to do so.

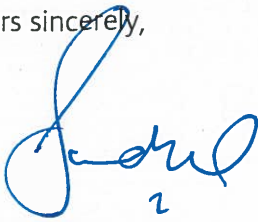
I also support your call for devolution of employment and skills budgets and commissioning powers. Whilst devolution of the Adult Education Budget is an important and welcome first step in

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helping to create a more integrated and responsive skills system for London, we need Government to go further. The existing heavily centralised system has offered limited scope to tailor provision to London's needs. My skills strategy will set out London's key priorities and my vision for skills. It will make the case for devolving funding, powers and responsibilities for 16-18 technical provision, careers and apprenticeships to London.

However, there is a strong case for devolution whether the UK is in or out of the EU. We are an over-centralised country and we need to see local control over a broader range of powers, including fiscal measures, to deliver long term investment in skills, housing, transport and other critical areas. I have found broad agreement on these issues across the Combined Authorities and other directly-elected Mayors. I look forward to continuing to work with them on these and other issues.

Yours sincerely,



Sadiq Khan
Mayor of London

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Subject: Question and Answer Sessions with the Mayor of London on the possible effects of a “no deal” Brexit on London, followed by John Barradell, Chair of the London Resilience Local Authorities’ Panel

Report to: EU Exit Working Group

Report of: Executive Director of Secretariat

Date: 25 October 2018

This report will be considered in public

1. Summary

- 1.1 This report provides background information for the EU Exit Working Group’s meeting with the Mayor of London and John Barradell, Chair of the London Resilience Local Authorities’ Panel.
- 1.2 Part 1 of this meeting will see Members put questions to the Mayor of London to discuss his assessment of possible effects of a “no-deal” Brexit on London.
- 1.3 Part 2 of this meeting will see Members put questions to John Barradell, Chair of the London Resilience Local Authorities’ Panel and Chief Executive of the City of London Corporation, about the work of the London Resilience Forum and Local Resilience Forums to assess the likely consequences of a “no-deal” Brexit and what preparations they are taking to mitigate any possible negative impacts.

2. Recommendations

- 2.1 **That the Working Group:**
 - (a) **Notes the report as background to putting questions to the Mayor of London;**
 - (b) **Notes the report as background to putting questions to John Barradell, Chair of the London Resilience Local Authorities’ Panel and Chief Executive of the City of London Corporation; and**
 - (c) **Notes the subsequent discussion.**

3. Background

- 3.1 Article 50 of the Treaty on the European Union provides for an EU Member State to leave the EU with or without a withdrawal agreement or 'deal'.
- 3.2 The UK and the EU aim to reach an agreement on the UK's terms for withdrawal and the framework for future relations by November 2018 in order to allow time for agreement in the UK Parliament and across the EU. If there is no withdrawal agreement and the UK does not request to, or there is no EU agreement to, extend the negotiations, or ratification is not achieved, then there will be no deal and the EU Treaties will no longer apply to the UK from 29 March 2019.
- 3.3 The Government has stated that preparations for a no deal scenario are part of its overall Brexit preparation strategy. Secondary legislation is being laid under the European Union (Withdrawal) Act 2018 that will preserve EU law in domestic law or convert it into UK law on exit day, 29 March 2019. If the UK leaves the EU without a deal, most EU law will still apply in the UK as domestic law (i.e. retained EU law or EU-based UK law) but there will be no reciprocity with EU Member States.
- 3.4 The Government believes that a "no-deal" scenario could be managed in an "orderly" fashion. The Department for Exiting the EU has published 19 technical papers to support businesses and other organisations in their preparations.
- 3.5 The likely impacts of such a scenario are still unknown and the Mayor of London is appearing before the London Assembly EU Exit Working Group to discuss his assessment of the possible effects on London – the economy and the livelihood of its residents.
- 3.6 In terms of actions associated with "no-deal", the Mayor has:
- Launched a survey of London businesses to determine exactly what preparations they are undertaking and what support they need from the Government;
 - Launched a Brexit Hub on the London Growth Hub to assist businesses to navigate "no-deal" preparedness advice; and
 - Asked the London Resilience Forum to establish the impact of a "no-deal" Brexit on critical areas such as access to medicines, energy and food, as well as the ability to maintain emergency care, law and order.

4. Issues for Consideration

- 4.1 In part 1 of this meeting, Members will put questions to the Mayor across a number of areas including his assessment of the likely impact of a "no-deal" Brexit on:
- The London economy and the livelihood of Londoners with a particular reference to the supply chains for food, fuels and medicines;
 - The ability of firms in London to trade with, raise credit with and to continue to do business with firms in the EU; and
 - The freedom of movement of UK citizens to the EU, EU citizens to London and on the status of EU nationals in London.

- 4.2 Part 2 of this meeting will see Members put questions to John Barradell, Chair of the London Resilience Local Authorities' Panel and Chief Executive of the City of London, on:
- The work of the London Resilience Forum and Local Resilience Forums to assess the likely consequences of a “no-deal” Brexit; and
 - What preparations they are undertaking to mitigate any negative impacts.

5. Legal Implications

- 5.1 The Assembly has the power to do what is recommended in this report.

6. Financial Implications

- 6.1 There are none.

List of appendices to this report: None.

Local Government (Access to Information) Act 1985
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List of Background Papers: None.

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