Dear Lord Cameron,

As you conduct your inquiry into the Natural Environment and Rural Communities Act 2006 you may be interested in the following information the Local Government Association (LGA) has on non-metropolitan areas (NMAs), what they stand to benefit from devolution and the industrial strategy, and how the will be affected by the UK's exit from the European Union.

Non-metropolitan authorities

The LGA’s People and Places Board represents the interests of non-metropolitan authorities (NMAs). Its remit includes inclusive growth and skills and employment support, devolution, the implications of Britain’s departure from the EU, digital connectivity, and public service reform. It is not always a simple task to separate out specifically rural issues from the wider economic and social agenda. Our experience is that all communities want the opportunity to thrive, with access to the housing, jobs and infrastructure that enables this. As local leaders we are also keenly aware of the critical role public services can play in supporting the vulnerable and in connecting local people to the rewards of national growth.

The economic potential of NMAs is significant, as is their existing contribution to the national economy. This was well-demonstrated by the final report of the Non-Metropolitan Commission¹, the findings of which found that NMAs account for a significant proportion (56 per cent) of England’s economic output. Their economies are diverse and often include industries that are vital for Britain’s global position in the export market, such as manufacturing and agriculture. The wide economic bases of NMAs and their rapid growth potential are evidence of sophisticated and evolving economies. Yet despite their economic potential, NMAs are also experiencing a range of demographic and economic challenges, which include:

- Local authorities in NMAs are experiencing significant financial pressures, with national figures indicating that English councils will face a funding gap of £5.8 billion by 2020.²
- Demographic pressures will add to the demands on councils, and in particular social care services, which nationally face a funding gap of £2.3 billion by 2020.³
- Infrastructure is key to the economic prosperity of NMAs but these areas are faced with the particular challenges of dispersed housing settlements, ageing or overloaded infrastructure networks and the need to maintain close links with urban neighbours and global trade routes.

Devolution and industrial strategy

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¹ Final Report of the Non-Metropolitan Commission, 2015
² Growing places: building local public services for the future, 2017
³ Growing places: building local public services for the future, 2017
Beneath these headlines, every area is different, with the scale of opportunities and challenges within NMAs determined by a wide range of local factors. Rather than focusing on the role of central government departments in developing rural policies to respond to shared but locally specific challenges, devolution to local leaders presents the most effective means to ensuring that the social and economic interests of non-metropolitan communities are reflected in the delivery of services and the development of policy solutions. As such, if a gap in the Government’s approach has been created by the closure of DEFRA’s Rural Communities Unit then this might be best addressed by providing councils with the freedoms and finances to deliver for their communities, rather than seeking to develop additional capacity or functions at the national level.

The Government has shown a clear preference for a form of devolved governance: a mayoral combined authority. This one-size-fits all approach sits at odds with many of the well-established governance structures already in place and risks excluding large parts of the country, particularly NMAs, from accessing the important levers of growth provided by devolution.

It is positive that the Government committed to developing an industrial strategy that is rooted in place and delivers for all corners of the country. In line with evidence presented above there are key elements of the industrial strategy that would benefit from a more tailored local approach:

- **Skills** – evidence shows that counties have low value, low productivity industry, and do not currently have the skills base to support high value growth sectors. NMAs and the wider economy could benefit from greater local government influence over the employment and skills systems, enabling local solutions to be developed to address the specific challenges they face.

- **Trade and investment** – NMAs are yet to achieve their full potential in international markets and are currently having to operate in a crowded institutional and policy landscape. The current approach to trade and investment must be streamlined and local influence strengthened in order for NMAs to realise their potential in this area.

- **Housing** – issues of housing shortage and affordability are particularly prevalent in many NMAs. While many of the proposals in the government’s Housing White Paper were encouraging, there is a need for more substantive measures to tackle the significant housing issues in NMAs.

- **Infrastructure** – intrinsically linked to the issue of housing is the need for infrastructure to support it. Transport in particular is key to the future economic prosperity of NMAs and it is essential that local leaders have the necessary levers to address local transport challenges.

**Exiting the EU**

A similarly place-based approach will be required as the Government negotiates the United Kingdom’s exit from the European Union, and in particular with regards to the design and

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4 A New Deal for Counties (County Councils Network), 2017
2 For further information on the LGA’s proposed reforms to skills and employment see our Work Local report, 2017
6 LGA Housing Commission Report, 2017
delivery of the proposed UK Shared Prosperity Fund. Following the EU referendum, one of the biggest concerns from councils was addressing the potential €10.5 billion (£8.4 billion) UK-wide funding gap for local government that would immediately open up from the point we officially exited the EU, unless a viable domestic successor to EU structural funding was in place.

In its manifesto, the Government pledged to create a UK Shared Prosperity Fund to replace the money local areas currently receive from the European Union. This EU money has been vital to create jobs, support small and medium enterprises, deliver skills, and boost local growth across the country, in metropolitan and non-metropolitan areas. The successor arrangements for EU funding should be place-based to enable local areas to set their own priorities, and enhance their capacities to adapt to unknown challenges that will need to be addressed after Brexit. The LGA is consulting on options to inform the design and delivery of the UK Shared Prosperity Fund which will provide an important contribution to the Government’s own analysis and deliberations.7

If you would like any further information I would be happy to supply more details in writing.

Yours sincerely,

Mark Hawthorne
Chair, LGA People and Places Board

5 September 2017

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7 Beyond Brexit: future of funding currently sourced from the EU, 2017