PUBLIC CHAIRS' FORUM

Public Chairs' Forum Annual Conference 2017

Perspectives on Brexit

On Wednesday 18th October, the Public Chairs' Forum was delighted to host their annual conference on the theme of Brexit. There are many arm's-length bodies, (ALBs), in the UK that are impacted by EU funding, regulations and legislation and therefore the direction of negotiations over the next two years are of vital importance to the delivery of public services. It's not yet clear what the level of impact will be for ALBs; however this conference was an opportunity for leaders of public bodies, politicians, senior officials and expert advisers to discuss the range of uncertainties and opportunities ahead.

Opening speech: Bernard Jenkin MP and Chair of the Public Administration and Constitutional Affairs Committee

Bernard Jenkin opened the day by giving an overview of the timeline of the government's negotiating positions, including the Lancaster House Speech, leading to the speech in Florence and current debates as the EU Withdrawal Bill passes through parliament. Over this period further detail has been provided on the type of future partnerships the country is seeking; moreover the UK has committed to an implementation period and honouring the commitments made during its period of EU membership. However, there are still many questions to be answered; such as the position on Northern Ireland and EU nationals, the cost of the exit fee and there is the possibility of 'no deal' at all. He noted that while the Lancaster House speech set out the view that leaving the EU would require being in control of our own laws, subsequent problems in the negotiations have resulted in less clarity over when the jurisdiction of the European Court of Justice will cease to apply.

Jenkin highlighted that the EU Withdrawal Bill will involve the establishment of new public bodies or existing bodies absorbing new functions so the impact for ALBs could be significant. While the Bill will provide some stability in relation to the regulatory environment, most changes will be made through delegated legislation and there is uncertainty over the shape of the legal framework for the next two years and the subsequent impact for public bodies that work with European partners. The scale of legislation will be a big challenge and public bodies should make clear what is essential for their organisations. Whilst Jenkin warned that greater certainty is needed by March 2018 or the effects on tariffs could be damaging, he also stressed that it is in the interests of both the UK and the EU to secure a good deal.

Jenkin advised public bodies to work closely with their partner departments and make detailed proposals of what their organisation will need to achieve stability and take on new functions post-Brexit. He made the point that if an organisation is reliant on EU funding there is no reason why the amount of funding they receive should change after the UK stops contributing to the EU budget, but that this case should be made early in negotiations. He encouraged chairs to talk to ministers and make intelligent proposals both in terms of politics and policy, for example going directly to the Home Office to propose a flexible immigration policy that will accommodate the workforce needs of the organisation. There is an imperative for public bodies working in devolved areas to make their cases to the centre as soon as possible, as there is currently much uncertainty over how powers returning to the UK will be shared across the four administrations and what this will mean for the powers of ALBs operating across the UK.

To close the discussion, Jenkin referred to the Public Administration and Constitutional Affairs Committee's 2014 *report "Who's accountable?"*, which emphasised that conversations between the centre and ALBs should be based on "trust, openness and mutual support"; the same still applies today. He also pointed out that the government and its agencies should harness private sector capacity, for example learning from their expertise in customs and agile-working.

Panel session: Brexit – what lies ahead?

The first panel session welcomed Tom Brake MP Liberal Democrat Spokesperson for Brexit, Dominic Grieve QC MP, Professor Colin Talbot, Academic and Journalist, and Daniel Burke, Strategy Partner at PwC. Tom began by highlighting his own personal pro-Europe views and setting out his party's stance on Brexit. The Liberal Democrats desire a referendum on the terms of the EU Withdrawal Bill and while there is not currently much support in government for this, he predicts that support will increase as negotiations progress and the terms of the exit bill are decided. Tom suggested that the government may even want the protection of a public vote to reverse the Brexit process as negotiations unravel. He stressed that the cost of reversing the process would be a small fraction of the losses endured if no deal is reached. The Liberal Democrats support the outcome of the EU referendum but feel it is essential that the best exit for Britain is secured, and in the event that this cannot be achieved then they want to stay in the single market and the customs union. Brake asked, how will the issue with the Irish border be resolved if the UK is not in the customs union? He also raised the issue of the status of EU citizens, and the need for a unilateral offer and more open dialogue between the UK and EU states on the terms of the settlement bill. In terms of public bodies, the most significant impacts he expected would be in terms of staffing and tax receipts, resulting in less money to invest in regulation.

Our second panellist Dominic Grieve then set out his views. While he still felt his support for remain was the right one, he respects the result of the referendum and is committed to looking at the nation's long-term interests and securing the best possible deal for the UK. He highlighted some of the key issues with the Brexit campaign: that there was a disjuncture between the views of the elite and the views of the voters. He also noted that Brexit itself was almost a revolutionary act, which can lead to unexpected consequences and a changed world view of the country where they occur. Grieve highlighted the challenge for the UK government to provide reassurance to our foreign partners during the negotiations, and felt the EU Withdrawal Bill is an opportunity to provide this assurance by restoring order domestically. The two fundamental asks from Grieve of the government were to ensure that parliament has an effective and fair scrutiny process and oversight of the Brexit legislation, and that parliament secures a vote at the end of the negotiations on the terms of the deal. In terms of impact on the public sector, Grieve noted that the challenge was to ensure that bodies have the resources to maintain high standards of service delivery - he warned of an expenditure 'black hole' while negotiations are agreed. Lastly, he commented on the slow pace of negotiations and stressed that no deal would be "chaos", as well as not being in the interest of EU partners.

Professor Colin Talbot then changed the focus of the conversation towards implementation, rather than negotiations. He stressed that with strategic policy, effective implementation will follow - however he warned that good strategy takes time. He added that Brexit will require extensive resources for practical implementation, such as the structures, software, people and organisation that will be needed to deliver new services. Talbot felt Whitehall is currently too focused on external negotiations and the process of parliament's legislative programme, and not on the administrative challenges. As a comparison, he mentioned the current implementation issues with Universal Credit, whereby the government predicted a two-year implementation period, and seven years on there are still issues rolling out the new system. Universal Credit is just one project, whereas Brexit will involve implementation of a range of new programmes and systems. Talbot also highlighted the uncertainty facing many different citizens, for example EU nationals who are unsure of theirs and their family's status and rights, and landlords fearful of breaking the law by agreeing lets to these citizens. There is a question about what legislation will be required to confirm their rights, plus the new systems and staff to deal with passport and immigration administration. This is just one example of the web of administrative challenges ahead. It was also noted in the Q&A that in thinking more about implementation, knowledge sharing between departments, ALBs and business is imperative.

Daniel Burke from PwC gave the final presentation. He highlighted that while the UK economy will be stabilised by 2030, the severity of the impact during the transition period is unclear. The biggest impact currently is uncertainty and PwC are advising their clients not to expect further clarity anytime soon, so to prepare for various scenarios. He advised public bodies to be plan in particular areas:

- Impact on income stream and costs, such as infrastructure development and supply chains;
- Workforce and customers – how are you going to support their changing needs;
- Corporate governance, by ensuring the board is making the right decisions.

Burke recognised that this may appear negative, however by having sound contingency plans ALBs would be in a better place to negotiate with central government. Burke also touched on the role of government and MPs to build trust with citizens. He noted that public opinion can shift quickly, which requires MPs to adapt too. While it is possible to deliver Brexit, Burke stressed that it is necessary for politicians to accept that the process will generate questions and therefore it is important to be honest about threats and opportunities.

Panel session: Public body engagement in the Brexit process

Our second panel was chaired by Jill Rutter, Programme Director for Brexit, Institute for Government, and we welcomed Peter Grant MP and SNP Shadow Spokesperson for Europe, Julia Goldsworthy, Chair of CIPFA Brexit Advisory Commission for Public Services, Mike Turley, Vic Chairman and Global Leader for the Public Sector, Deloitte, and Susan Hooper, Non-Executive Board Member at Department for Exiting the European Union.

Peter Grant MP began this session by setting of his party's stance on Brexit. While the party would still like to prevent the UK from leaving the EU, if it cannot be avoided they would like to remain in the single market or retain as many of the benefits as possible, and continue free movement of people in and out of Scotland. As a member of the Select Committee for Exiting the EU, Peter noted that he had failed to meet anyone in industry who considered free movement of people a bad idea, both socially and economically. He advised that public bodies should prepare in case of no deal, as well as considering the workforce challenges that may be ahead in light of uncertainty over the status of EU nationals.

Julia Goldsworthy then shared her perspective from her position as Chair of CIPFA's Brexit Advisory Commission on Public Services. Her key point was that Brexit should not be approached as a single process, and explained that the Commission is looking at three cross-cutting areas:

1. Funding and Finance
2. New policy opportunities
3. Capacity to deliver and transform.

In all three areas, Julia stressed the need to find the balance between stability and transformative change. She advised that it is important to consider how solutions to Brexit issues interplay with longer term trends and government agendas, such as the motivations of voters, the aging workforce, devolution issues, budget negotiations and the industrial strategy. Therefore, the government needs to consider the capacity at the centre to coordinate cross-cutting themes by looking at the whole transformative piece for Britain.

Mike Turley shared his views drawing on his experience as a consultant at Deloitte. He warned that as a result of Brexit one third of Chief Financial Officers expect to reduce investment to control cost while there is weak UK demand and rising interest rates. Turley explained that businesses are assessing their risks, such as market access and movement of people, in order to look at long-term scenario planning and advised public bodies to do the same. He stressed that "there's no substitute for analysis" and detailed modelling, but similarly to Talbot emphasised that there had been little focus yet on practical execution. The general fear about the economy will have an impact on the public sector and this should not be viewed in a vacuum of domestic impact access to EU corporations and international markets are important too and the sooner this is recognised the better the response will be from the centre. Turley highlighted some of the workforce challenges ahead; for example he noted that over 13,000 farm labourers have been hired this year from the EU, compared with only 14 from the UK. However, he also noted that in the technology sector, the UK employs more people from outside the EU than within it, so there are areas that Brexit may not have as significant impact. Deloitte's 'State of the State' report assesses uncertainties that will impact of the public sector by theme, including challenges arising from Brexit.

Finally, Susan Hooper, Non-Executive Board Member at DExEU presented to attendees. She highlighted that in her capacity as a non-executive she is not involved with shaping the policy of her department, and gave an impartial overview of the department's overall objectives and her role on the operational side of their work. She explained DExEU's aim is to lead the Brexit negotiations across government; this includes working with devolved administrations, co-ordinating cross-government work and continuing current work in Whitehall as a member of the EU. She added that the department is working to provide the best advice to the government, engage with key stakeholders and strengthen capability within government. She noted that DExEU is very different to other departments: with its huge priorities and that it is theoretically due to dissolve at the end of negotiations; she likened the department to a project rather than a traditional government department. Susan felt given its work, she views the department as doing remarkably well, however she felt there is space to improve the department's ability to translate more positive messages about the Brexit process across government and to the public.

Susan then discussed her role as a NED, which is to challenge the department, holding it to account for its decisions and to share her business experience. Through her various roles in the private sector, Susan knows how to deal with unexpected 'bumps in the road' and has experience of dealing with unprecedented ventures, which is the case for Brexit. She had three key lessons to share with public body leaders:

1. People matter – Brexit will put significant pressure on staff and therefore it is important to recognise the skills, commitment and well-being of the workforce.

2. Prioritisation – Brexit will place extra demands on organisations and it is important to know your hierarchy of priorities and have open discussions about inevitable trade-offs.

3. Use the experience around you – with Brexit being an unparalleled task, it is important for organisations to cast their net wide and learn from the expertise available.

During the question and answer session the focus turned to public body engagement with the centre. Peter Grant reported that the government currently say the quality of engagement with public bodies is strong; however it is not clear whether they are having constructive dialogues with, or rather just sending out information to, organisations. It was noted that a change in government or Cabinet reshuffle could have significant implications for levels of engagement. Two organisations expressed concern that engagement with the centre had been disappointing so far and it was agreed that a constructive dialogue on policy issues is essential. Public leaders also recognised the need for long-term scenario-planning. As a final point, Julia Goldsworthy highlighted the positive opportunity Brexit provides for the UK to transform and interact with the world in a new way. On the other hand however, Peter said he could not see any advantages for Britain, unless you are a writer or lawyer specialising in constitutional affairs!

Closing speech: John Manzoni, Chief Executive of the Civil Service and Permanent Secretary, Cabinet Office

John Manzoni, CEO of the Civil Service, brought the conference to a close with an animated speech. He reassured attendees that despite Brexit, the civil service is continuing business as usual and the transformation agenda persists. As part of the Government Hubs programme, a number of departments and public bodies are being consolidated into multi-departmental hubs in cities across the UK. 'Smart working' practices are being introduced to government. He also stressed that the transformation agenda is underpinned by technological advancements, changes in workforce structure and career paths, and ties in with the diversity and inclusion agenda and hiring new skills and expertise into government.

However, on 'business as usual', Manzoni stressed that prioritisation is essential and that departments and public bodies should review major projects to ensure appropriate resource allocation in light of Brexit.

The government is preparing for all eventualities in relation to EU Exit and Manzoni advised public bodies to do the same. Public bodies will be affected by Brexit in many ways and the civil service needs to build capacity and capability in new areas, for example to redistribute funding lost from the EU. In light of these challenges, he noted that while the civil service benefits from a wealth of intellects, they now need to mobilise the workforce to deliver Brexit on the ground. In times of such uncertainty, he advised public bodies to prepare both for a negotiated deal and the possibility of 'no deal' (the latter was not the Government's preferred position but rather the responsible thing to do). Public bodies should be engaging with their department and sharing their skills and expertise in delivery with the centre. Manzoni made clear that it is up to the public body to start planning with the department and set up the necessary structures with the Treasury and Cabinet Office.

In the Q&A, some public body leaders highlighted that in certain areas preparations cannot be progressed until the government has reached phase two of negotiations, and suggested that it will be difficult to identify and agree resourcing requirements until the likely outcome of negotiations is clearer.

Manzoni commented that where requests have been made, the Treasury has funded a lot of things relatively quickly. The civil service is in the process of introducing more flexible remuneration arrangements in the commercial function and he expects this flexibility will roll out across different disciplines within the civil service overtime. On the 1% cap, Manzoni believed that flexibility will be necessary where specific skills are required, or specific attrition is an issue.

One attendee asked whether there were any short cuts that could be used to make implementation easier. Manzoni responded by saying that implementation takes time and is best not rushed, but of course the centre can create frameworks that allow resources to be brought in swiftly. A lot of implementation is about systems and he advised public bodies to be agile in their approach. He stressed that there is an important equilibrium to be found between balance in the UK market and the new powers and opportunities arising from Brexit. A question was asked about the impact on local authorities and the devolved administrations. Manzoni reassured attendees that consideration was being given to the matter of repatriated powers to devolved nations and to the funding of local authorities. In closing, Manzoni encouraged attendees to use forums like the PCF to share information and learn from each other.