

Local Government Association Briefing

The impact of Brexit on tourism and creative industries

House of Commons

Tuesday 17 April 2018



Key messages

- Brexit presents opportunities to do things differently. Powers repatriated from the European Union must not simply reside in Westminster, Holyrood, Cardiff Bay and Stormont. This is an opportunity to devolve powers to local authorities to better connect local areas with future prosperity, improve local skills and bring decisions over public services closer to the people affected by them.
- One area where we do face a challenge is around workforce and skills. The UK is already suffering a skills crisis. Forecasts produced for the LGA by the Learning and Work Institute predict that, by 2024, a growing skills gap will result in a shortage of 4.2 million skilled people to fill demand. This equates to a loss of £90 billion in economic output.ⁱ
- The UK hospitality sector is highly reliant on EU nationals, with between 12.3 per cent and 23.7 per cent of the sector's workforce made up of EU migrants. KPMG estimates that the hospitality sector currently requires 62,000 EU migrants per annum to be able to maintain current activities and to grow.ⁱⁱ
- Within the Accommodation and Hospitality sector specifically, 13.2 per cent of workers are EU nationals, the third highest level after Manufacturing of Food and Beverages (24.3 per cent) and Warehousing (18.5 per cent).ⁱⁱⁱ
- Tourism in the UK is currently worth £126.9 billion per annum and employs over 3.1 million people. It is our 7th largest export industry and the fastest growing sector.^{iv}
- Councils support local tourism with investments worth £70 million per year, spent on business support, visitor information and destination marketing.^v They spend a further £2.6 billion every year on culture and heritage and support major cultural, business and supporting events. They also lead on planning and infrastructure development that is critical to the visitor economy.
- We are working with VisitBritain, the Tourism Industry Council and government departments at a national level to create the right environment for the tourism sector to thrive and locally with the businesses and communities in our areas; now and beyond the UK's withdrawal from the European Union.
- The LGA recently conducted a survey of local museums and found that many councils identified European funding as a source of existing or potential income.^{vi}
- The Government should ensure that adequate investment goes to local arts and cultural services as well as to economic and social regeneration once the UK leaves the EU, and should advocate for the economic and strategic value of cultural services.

Briefing

Background

Local authorities and Brexit

The UK's exit from the EU is going to have a significant impact on local communities and businesses, creating opportunities to do things differently, as well as challenges that will need to be addressed. EU laws impact on many of the council services that affect people's day-to-day lives, from protecting people from unsafe food when they eat out to regulating how councils buy goods and services. Brexit should not simply mean a transfer of powers from Brussels to Westminster, Holyrood, Stormont and Cardiff Bay. It must lead to new legislative freedoms and flexibilities for councils so that residents and businesses benefit.

The LGA, together with the local government associations in Wales, Scotland and Northern Ireland, is meeting regularly with ministers and officials to discuss the issues of importance for councils, including funding and the representation of local government.

We worked with members of the House of Lords to table an amendment to the EU (Withdrawal) Bill, which led to a ministerial assurance that local government could expect to be consulted on law-making following their repatriation from Europe. These rights are currently exercised through the EU Committee of the Regions.

Funding is a significant issue for local councils and the EU-UK agreement that the UK will continue to participate in Multi-annual Financial Framework 2014-20 was welcome, and includes many different programmes relevant to different sectors and communities. The LGA has, and will continue to lobby for a locally-led successor to EU regional aid (European Structural and Investment Funds) to stop an £8.4 billion UK-wide funding gap for local communities opening up from 2021.

Skills for the future of tourism

Councils want to stimulate their local economies, so all residents contribute to, and benefit from, growth. Working with businesses and local partners, they are building on their unique ability to integrate services for vulnerable people and anticipate and respond to local employer need, which includes the tourism and hospitality sectors.

Despite this, their ability to address unemployment and skills demands is constrained by the fact that current mainstream and re-engagement employment and skills funding, worth £10.5 billion (2016/2017), commissioned nationally by Whitehall or their agencies for providers to deliver, is scattered across twenty different national schemes.

The LGA, in partnership with the Learning and Work Institute (LWI), has developed [Work Local: our vision for a devolved and integrated employment and skills service](#). Work Local is a positive proposal for change to help thousands of people into work, inject hundreds of millions of pounds into local economies, close the widening skills gap, and deliver better outcomes at lower cost by taking into account local circumstances. It would be:

- A 'one stop' service rooted in place
- With clear and responsive local leadership
- That is driven by local opportunities and needs
- A common national framework for devolution of financial control, strategy and delivery
- Improving the experiences of individuals and employers
- Governed by 'local labour market agreements' between central government and each combined authority or group of councils

Led by combined authorities and groups of councils, in partnership with local stakeholders, Work Local areas will plan, commission and have oversight of a joined-up service bringing together advice and guidance, employment, skills, apprenticeship and business support around place for individuals and employers. Analysis by LWI reveals that across a medium sized combined authority, Work Local could each year result in 8,500 more people in work, 6,000 people increasing their skills, additional fiscal benefits of £280 million and a benefit to the economy of £420 million.

We believe this model could help deliver a more coherent and locally relevant skills offer, and would be particularly useful to areas which rely on industries such as tourism to plan and develop a pipeline of skills talent for the workforce of tomorrow.

Role of councils in developing local tourism

Councils invest £70 million per year on business support, visitor information and destination marketing, according to DCLG statistics.^{vii} They spend £2.6 billion every year on culture and heritage and support major cultural, business and supporting events. They also lead on the spatial planning, regulation and infrastructure that underpins and thriving visitor economy. These may not always be described as an investment in tourism, but are essential if it is to happen.

However, councils will have lost 75p in every £1 of core funding by 2020, leaving an overall funding gap of over £5 billion. The savings that will need to be made will inevitably affect not only those direct services that councils provide to support tourism and local businesses, but also indirect services like planning, transport and even maintaining the verges and street furniture that make places attractive to visit.

Any sector deal for UK tourism will need to reflect the challenges facing local government and ensure that councils are fully able to use their full potential to develop the visitor economy.

Cultural investment

Cultural and sporting activities can make a profound impact on an individual's ability to succeed in life, both socially and economically. There are substantial, evidenced impacts of culture and sport on physical and mental health, educational attainment, and social mobility.

Despite funding cuts from central government of over 40 per cent since 2010, councils continue to be the biggest public sector investor in sport and culture, and remain committed to delivering sport, physical activity and cultural services in their localities. However, these ongoing funding reductions are impacting on councils' capacity to deliver culture and sport services. Urgent investment is needed in the workforce and physical assets to ensure this support continues.

Councils in England run over 3000 libraries^{viii}, over 350 museums^{ix}, numerous theatres and galleries, and are responsible for many historic building and monuments. Councils are also the largest investor in cultural activity, spending over £1.1 billion in museums, theatres and libraries.^x

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- ⁱ Work Local, <http://www.local.gov.uk/topics/employment-and-skills/work-local>
- ⁱⁱ [Labour Migration in the hospitality sector](#), British Hospitality Association, March 2017
- ⁱⁱⁱ [EEA-workers in the UK labour market: interim update](#), Migration Advisory Committee, March 2018
- ^{iv} Visit Britain [website](#)
- ^v [Local Authority Revenue, Expenditure and Financing 2014-2015](#), Department for Communities and Local Government statistics, February 2016
- ^{vi} Please see: <https://www.local.gov.uk/museum-survey-heads-cultural-services>
- ^{vii} [Local Authority Revenue, Expenditure and Financing 2014-2015](#), Department for Communities and Local Government statistics, February 2016
- ^{viii} For further information please see <https://www.gov.uk/government/publications/public-libraries-in-england-basic-dataset>
- ^{ix} Please see: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/673935/The_Mendoza_Review_an_independent_review_of_museums_in_England.pdf
- ^x Please see: [http://www.artscouncil.org.uk/sites/default/files/download-file/Funding%20Arts%20and%20Culture%20in%20a%20time%20of%20Austerity%20\(Adrian%20Harvey\).pdf](http://www.artscouncil.org.uk/sites/default/files/download-file/Funding%20Arts%20and%20Culture%20in%20a%20time%20of%20Austerity%20(Adrian%20Harvey).pdf)