

The Customs and Trade bills

I welcome the fact that the government is pressing on with taking the necessary legal powers to run our own customs and trade policies. They tell us the bills will allow them to set tariffs, impose trade penalties and do what it takes to be a full voting member of the WTO. So far so good. I support that.

Buried in the detail of the legislation are some areas where I and others sought reassurance or amendment. The government has agreed to make improvements. The government should not have the power to put us back into a customs union or similar arrangement without needing primary legislation. Parliament has agreed to leave the EU Customs Union – voting decisively three times on this matter after extensive debate. Any wish to reverse this decision should also need substantial debate and a formal legislative process. I agree with Dominic Grieve's line on the need for primary legislation in such circumstances, as he required us to do for the Article 50 letter and all aspects of leaving the EU in the Withdrawal Act.

We also want to see the UK outside the EU VAT system. On March 29 2019 VAT must become a UK tax which we can change as we see fit. The government agrees.

The government supports an amendment that rules out a customs or tax border between the island of Ireland and the UK. All parties to the negotiations tell us they do not want such a border, so we might as well make that clear in legislation. The amendment proposed makes clear Northern Ireland will be part of the same customs and tax arrangements as the rest of the UK. I have always thought the Irish border issue was much exaggerated by the EU for their own purposes. It already is a Vat, Excise and currency border, but these matters are settled away from the border itself. The UK government does not want to put in big barriers and seek to calculate customs or VAT at the border point, nor does it need to. What we have today can handle customs as well if that becomes necessary as it already does for non EU trade.

The government has also agreed to accept an amendment which says that the UK would not collect EU customs duties for the EU unless the EU collected UK customs for the UK.

Yesterday's debate was dominated by people who have never run complex supply chains who were unwilling to accept they work fine with non EU as well as with EU parts. We needed to explain all over again how TIR, Authorised Economic Operators, the WTO Facilitation Agreement, electronic manifests and calculations and checking loads away from the border currently operate to speed goods across borders. The electronic paperwork is detailed and sometime complicated, but it is also needed by the customer and required for product audit purposes. If you supply a part into the supply chain for a complex and safety crucial product like a plane or truck, you do need to supply the customer with very detailed information about where it came from, when and how it was made, and how it has been tested. Your computer can share the

parts of this information that is needed with the Customs, Vat, Excise and other authorities electronically.

School Funding – reply from the Secretary of State

I have received the following reply from the Secretary of State for Education in response to my intervention on his speech on 25 April and my subsequent private meeting with him in June:

Dear John

Following our meeting, I wanted to respond in writing with further information on the areas we discussed.

You raised some questions about how the minimum per pupil funding levels operate. The national funding formula (NFF) will provide a minimum funding level of £3,500 per pupil for primary schools and £4,800 for secondary schools, by 2019-20. As we transition to these levels, the formula provides £3,300 for primary schools and £4,600 to secondary schools in 2018-19. Of the 45 schools in Wokingham, 10 will attract more funding through the minimum per pupil funding levels by 2019-20.

However, whilst the NFF provides minimum per pupil funding levels, local authorities continue to be responsible for distributing school funding through a formula set locally, in consultation with their Schools Forum, in 2018-19 and 2019-20. Wokingham Borough Council has not included a minimum per pupil funding level in its 2018-19 local formula, so some schools in the area may not receive this level of per pupil funding. The council has set a minimum funding guarantee (MFG) of 0.5%, so no school in the local authority will have received less than a 0.5% per pupil increase in 2018-19.

Many local councils have chosen to replicate the NFF locally, and we support and encourage this. However, we recognise that some authorities may wish to move to the NFF gradually over more than one year. There are also some circumstances where a more tailored local formula is more appropriate as we transition to the NFF – for instance, where local changes in characteristics mean that a greater proportion of pupils than anticipated have additional needs, and it is therefore not affordable to use the funding values in the NFF. We believe some local flexibility should be retained whilst we bring in this historic reform, and it is up to Wokingham council to set the local formula that they think works best for their area. Wokingham council have used this flexibility to increase the basic per pupil funding factors in their formula and the primary low prior attainment factor, instead of implementing the minimum per pupil funding levels. Wokingham were required to consult their schools on the formula they set for 2018-19 and will be

required to do so again for 2019-20.

We are currently considering what the system should look like beyond 2019-20, and we will provide details on this in due course. With regards to the transitional protections within the formula, these are as much a core part of the formula as any other formula factor. This includes the funding floor, which prevents a reduction in the per pupil funding that schools attract through the NFF. You will understand that any spending plans beyond 2019-20 are subject to the next Spending Review, so I am not able to make commitments beyond that point.

We understand that it is difficult for schools to manage fluctuating pupil numbers. There are several ways that we help schools to cope with this:

- The lagged funding system gives schools certainty over their budgets, as they know in advance how many pupils they will be funded for. It also means that when pupil numbers fall, schools have time to respond before this starts to affect their budgets.
- The NFF provides a lump sum of £110,000 to every school. This is a contribution to the costs that do not vary with pupil numbers, and to give schools (especially small schools) certainty that they will attract a fixed amount each year in addition to their pupil-led funding.
- Local authorities are able to create a fund to support schools with temporary falling rolls, where they are judged good or outstanding by Ofsted. This funding can be used where local planning data show that the surplus places will be needed again within the next three financial years. We are considering improvements to falling rolls funding for 2019-20 and beyond.

You also asked more broadly about our approach to place planning and parental choices. Basic need funding is the money we give local authorities each year to help them fulfil their duty to make sure there are enough school places for children in their local area. This funding for school places is based on local authorities' own data on school capacity and pupil forecasts. Local authorities can use their basic need funding to work with any school in their area and have the flexibility to make the best decisions for their local area.

As a matter of good practice, all local authorities should maintain a small surplus of places locally so that they are able to respond quickly to in-year applications. We fund local authorities to provide a least a 2 per cent operating margin of places, to help support parental choice, churn in the pupil population, and the general manageability of the system. We also expect local areas to avoid carrying excessive levels of surplus capacity. As part of fulfilling their duty to provide sufficient places, we expect local authorities to manage the local school estate efficiently and reduce or find alternative uses for high levels of surplus, in order to avoid detriment to schools' education offer or financial position.

When funding new free schools, we undertake a rigorous assessment of local factors to ensure that they provide choice, innovation and higher standards for parents. We take into account of existing capacity in the system, balancing the benefits of new places with the costs of surplus capacity and

the impact on existing schools and local areas. Of the mainstream free schools approved since 2014, 86% have been in areas where there was a need for more school places.

We have recently launched the wave 13 application round, targeting areas with the lowest educational performance to put free schools in the places most in need of good new schools. In all cases, we will expect applications to show a demonstrable basic need for a high proportion of the additional school places that the free school will create.

Thank you again for raising these issues with me.

Yours ever

Damian Hinds
Secretary of State for Education

[A 3 option referendum would not work](#)

The latest call for a referendum between leave, the White Paper terms and Remain is a non starter. We made our decision in the original referendum and need to get on with implementing it.

The EU will not accept the government's opening bid in the White Paper so it is not a real option.

It is by no means clear we could get back into the EU on current terms once we have left in March 2019 were people and Parliament to change their minds. The EU would probably want us to sacrifice our veto on the Euro and Schengen, and lose the contributions rebate for starters. It would need to be negotiated, with uncertain outcome, so that too is not a fixed and available option.

There is no point in voting on two options the EU does not accept. The real referendum was about two straightforward options – stay in on current terms, or leave. The EU agreed to both under their Treaty. We voted to leave. We were told by Parliament and government voters were making the decision.

[Getting the Russian relationship right](#)

This week Mr Trump meets Mr Putin. I want the President to be realistic about Russian behaviour and how we need to respond. It would be good if relations

improve rather than a further deterioration with threats on both sides, without compromising important principles. Mr Trump may well wish to announce new practical working approaches despite the differences.

The current UK government has been at the tough end of western attitudes towards Russia, in part owing to the poisonings in Salisbury. Of course killing people with nerve agents must be condemned strongly and my heart goes out to the families affected. Our relationship with Russia is, however, a complex one. The government and NATO work in close contact with the Russian authorities when acting militarily against Isis. That makes sense, but reminds us how there are few absolutes in relations between important countries. Germany, part of NATO, has made herself very dependent on Russian gas, as Mr Trump pointed out. Events and circumstances can change, and diplomacy needs to respond. A country has a range of interests. These can require agreements with countries that have very different values and behaviours and may need to reshape old alliances. We do have friendly working relations with a number of countries with whom we have profound disagreements on human rights and government behaviours.

Russia is a dominant power in the Middle East. President Obama's decision to limit US force in the region and to stay out of much of the Syrian war has ensured growing Russian influence. President Trump has not changed this policy, though he has taken specific action over chemical weapons use. Given this development the USA, UK and other NATO allies co-operate closely with the Russian military where Russia does hold sway. and need to do so to avoid inadvertent clashes.

Russia upset the EU through its actions in Crimea. This led to sanctions and tough words. The western allies however are not going to try to prize Crimea apart from Russia by force, so at some stage there needs to be discussions about how to proceed despite this dispute. Russia would say the bulk of the people of Crimea want to be Russian, so under the doctrine of self determination it makes sense. The West says there was no internationally approved referendum to test opinion and make this decision. The EU needs to watch to see what if anything the President says on this matter, as we need to avoid a major split on the subject between the USA and the European NATO members.

Ministers decide, civil servants advise

David Davis's letter raised important issues about the process of government. We learned from the background to it that the Secretary of State for Brexit who should be the principal adviser of the PM on these matters, and the main negotiator under the PM, was often sidelined by the official civil service.

Of course this could only happen if No 10 let it happen, whether by design or by misunderstanding. It nonetheless raises crucial issues about how democratic government is functioning at an important time for our country.

There appears to have been a tough approach taken towards much of the Cabinet over the production of the White Paper. Apparently many Ministers saw the draft late, and were given little time to respond. On a major policy document like this, published two years after the first demand for it, you would expect all relevant Ministers to be fully engaged through correspondence, sharing drafts, and through Cabinet committees where necessary. At its best UK government is very good at this, with several drafts refining views as Ministers seek improvement, attend to detail, or find compromises.

There needs to be trust between all Ministers and senior officials. They need to share their work in private with each other. Officials are welcome to their views and to put in suggestions, but in the end Ministers have to decide, to approve the lines and sign off the final text. Clearly this did not happen with the Chequers Statement and White Paper, which is why it triggered several resignations of Cabinet Ministers, junior Ministers, and Parliamentary Private secretaries. It also led to the resignation of two Vice Chairmen of the Conservative party who would of course be outside the formation of a collective view on this or any other government matter, but need to sell the policy. Their refusal to do so reflects the fact that the more politically minded members of the Cabinet did not have enough chance or enough support to get the strategy amended to one which could gain more popularity.

The lack of trust by some Ministers is part of a much wider distrust between public and officials on the mighty topic of the EU. Viewed from the outside to many members of the public it looks as if a large number of officials voted remain, think the voters were wrong to vote Leave, and are doing their best to re run Project Fear in various guises. I of course appreciate there are many good officials who do not let their personal political views influence their work, and some officials who did vote Leave who therefore support the government policy of leaving willingly. What is undeniable is the civil service as a whole have taken to the task of trying to find as many difficulties as possible that they think might delay or impede Brexit, and have been very shy about finding and tackling all the opportunities that a clean Brexit brings.

Of course where something needs fixing by March 2019 to make sure things work as planned, the civil service are right to flag that up. They should also flag up the remedies as well as the problems. They also need to help Ministers knock back the self serving and factually incorrect fears that some Remain oriented groups and businesses are putting forward.

I trust now Cabinet has reaffirmed its wish to get on with the WTO Global UK option there will be strong co-operation to do so. I would also like to see good news policies covering a new migration policy, a new farming policy, ways of spending the money we will free if we simply leave in March 2019, and what we should do with all the customs revenue if we end up on WTO terms. The civil service at its best is balanced in its judgement of risks and

opportunities, and keen to implement the government's policy. The government's policy as specified in 2017 was to leave the EU. The civil service have helped talk the remaining Ministers into a policy which does not amount to leaving the EU. The Ministers who relied on this bad advice have now placed themselves in a difficult position, where they need to change their policy as soon as possible so we can conduct good and strong negotiations for the UK.