

# BREXIT AND THE ECONOMY

## BREXIT

If Brexit goes ahead it will have a significant impact on local government, creating challenges that need to be addressed. Labour councils up and down the country are taking a lead on preparations for Brexit because our residents and our local businesses are looking to use for action in the absence of a clear Government approach. Councils are preparing for what the practical implications of a Brexit negotiation may be, including the disaster of a 'no deal' Brexit. Many Labour Councils are now actively demanding a second referendum, due to their concern at the damage that Brexit may do to their communities.

- An **£8.4 billion UK-wide funding gap** for local government will immediately open up from the point we leave the EU, unless a viable domestic successor to EU structural funding is put in place
- Local government has a formal advisory role in the EU law and policy-making process through its membership of the **EU Committee of the Regions**, and it is fundamentally important to replicate this advisory role post-Brexit, so local government can continue to make better, more effective legislation
- There is an urgent need to **clarify the voting rights of EU nationals** and the ability of **EU nationals to stand for election** in next year's local elections post-Brexit

### **Labour Councils are taking action:**

- Labour-run Plymouth City Council has become the first local authority in the UK to issue a legal challenge to the Government over Brexit. Labour council leader Tudor Evans is pioneering the use of new legal powers in the Sustainable Communities Act to force the Government to reveal the truth about what Brexit will mean for the city, even if it is considered confidential
- Hammersmith and Fulham's Labour leader Cllr Stephen Cowan wrote to ahead of May's local elections to say the vote was an opportunity for them "to say no to Brexit". The Labour Group went on to gain XX seats from the Tories in the heavily Remain-voting area.
- Some Labour councils have now passed motions calling for a second Brexit referendum, including Oxford and Liverpool

### **Labour's 2017 manifesto said:**

- 'Labour accepts the referendum result and a Labour government will put the national interest first.'
- 'Britain needs to negotiate a Brexit deal that puts our economy and living standards first. We cannot put at risk our links with our largest trading partner. Instead we need a jobs-first Brexit that allows us to upgrade our economy for the 21st century.'
- 'Labour recognises that leaving the EU with 'no deal' is the worst possible deal for Britain and that it would do damage to our economy and trade. We will reject 'no deal' as a viable option and if needs be negotiate transitional arrangements to avoid a cliff-edge' for the economy'

**Tuesday 25<sup>th</sup> September, 10.10am to 12.40pm  
'Brexit and the Economy' plenary: @LGA\_Labour brief**

**LGA Labour notes on Brexit:**

- Leaving the EU should mean we rethink the way decisions are made in the UK, with a **new constitutional settlement post-Brexit** which ensures that powers are devolved beyond Whitehall, Cardiff Bay, Stormont and Holyrood and rest with local communities instead. Local government has a formal advisory role in the EU law and policy-making process through its membership of the EU Committee of the Regions, and it is fundamentally important to replicate this advisory role post-Brexit, so we can make continue to make better, more effective legislation.
- An **£8.4 billion UK-wide funding gap** for local government would immediately open up from the point we left the EU, unless a viable domestic successor to EU structural funding was in place. 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. Labour should guarantee to replace this funding and create an innovative, locally led successor which gives local areas greater say over how to target a simplified regional aid fund at local projects of benefit for local people.
- There is an urgent need to clarify the **voting rights of EU nationals** and the **ability of EU nationals to stand for election** in next year's local elections post-Brexit.

## **ECONOMY**

Tory austerity has caused huge damage to communities up and down the UK, and has seen council budgets slashed more than any other area of government, with some councils now on the brink of bankruptcy. The Tories have presided over the slowest recovery since the 1920s. Last year growth in our economy was the lowest in the G7 and the slowest since 2012. The Tories have failed on the deficit – they promised to eradicate it by 2015, then 2016, then 2017 only to have missed all these targets. Under the Tories working people are worse off. The Government is out-of-touch, with no idea of the reality of people's lives and no plan to improve them. Their devolution plans have run out of steam, and they have no plan to help regions and councils boost their local economies.

- **Our councils are in crisis**, with Tory-run Northamptonshire effectively bankrupt and other councils staring into the financial abyss after the Tories have failed to give them the funding they need.
- By 2020, local authorities will have faced **cuts to core funding of nearly £16 billion** over the preceding decade. That means that councils will have lost 60p out of every £1 the Government had provided to spend on local services in the last eight years
- These cuts have been **strikingly uneven** in their distribution. The poorest local authorities (which tend to be Labour-run) have had their spending cut by £228 per person since 2010. But richest councils have had their spending cut only £44.
- Councils face a funding gap of **£7.8 billion by 2025** – but gap corresponds only to keeping local authority services 'standing still' and meeting additional demand and inflation costs. **Filling this £7.8bn funding gap does not reverse any of the cuts made by the Tories** since 2010, or include any extra funding needed to improve services.
- **Real wages are lower than they were in 2010** and the Spring Statement confirmed further bad news for working families, with the OBR saying "earnings growth over the next five years is expected to remain subdued".
- The IFS has revealed there could be £30 billion of new tax and spending cuts to come.

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- The Government's record on productivity is one of failure with productivity growth on their watch at its worst since the 1820s.
- The National Living Wage won't hit the £9 per hour by 2020 the Tories promised. Tory failure will leave **workers on the National Living Wage worse off by £850** in 2020.
- There are a record number of people in **working households in poverty**.

**Labour Councils are at the frontline, offering radical solutions despite Tory austerity:**

- **Leeds City Council's** Devolved Youth Contract has helped over 2000 young people move into education or employment with an 81% success rate. This compares to only a 65% success rate for the Whitehall managed programme. Their locally devolved Business Growth Programme has levered in £8 of private sector investment for every £1 spent on supporting businesses to expand, creating over 3000 new jobs across the region.
- **Leicester City Council's** 'Local Investment Fund' is designed to find financial solutions for inward investment projects that support and drive growth within the local economy
- **Bradford City Council's** City Centre Growth Zone scheme has helped to trigger major physical improvements in Bradford city centre since its launch. The scheme has provided capital grants to over 100 businesses, helped to support 90 businesses to open in the city, and brought over 70 vacant high street units back into commercial use. To date, 610 part-time and 513 full-time jobs have been created as a result of the City Centre Growth Zone.
- **Bristol City Council's** Community Energy Fund supports local groups through grant and loan offers, to fund their energy efficiency and sustainability projects. They also work with businesses of all sizes across the city to provide a way for organisations to contribute to and address environmental and social issues in the community
- **Newcastle City Council** currently supports 115 apprentices, of which 72 are employed and funded entirely by the council

**Labour's 2017 manifesto promised to:**

- A commitment to find an immediate £2 billion for local government (but this is over £5bn short of the £7.1 billion gap we face by 2020)
- We will introduce a 'presumption of devolution' where devolved powers transferred from the EU will go straight to the relevant region or nation, and devolve powers over economic development, complete with the necessary funding
- A National Transformation Fund will deliver the investment that every part of Britain needs to meet its potential, overcoming years of neglect.
- An industrial strategy will support businesses to create new, high-skilled, high-paid and secure work across the country, in the sectors of the future such as renewables.

**What LGA Labour called for in '[On Day One](#)', our radical local government manifesto for the next Labour government:**

Labour must make local government funding fairer and more transparent – and to increase our independence from central government. Although councils are responsible for about £1 in every £4 of government spending, we are responsible for raising less than 10% of taxes – making England one of Europe's most centralised countries. There is currently little ability for councils to raise taxes other than council tax, which is becoming increasingly regressive. [...] Around the world, it is the cities that have higher levels of control over both money and policy decisions that tend to perform best economically. With the right support, and in partnership with local business, local authorities could do so much more. Core Cities research shows that by 2030 they could put

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1.16 million more jobs and £222 billion into the UK economy – equivalent to adding the entire economy of Denmark to the UK. It is imperative an incoming Labour government grabs this opportunity right from the very start. It will require a Labour government to trust local areas with greater local control as opposed to the Tories who have used devolution as a front for cuts. Only this can help avoid a reliance on 'trickle down economics' and make sure all communities benefit from economic growth. As we've seen when things are left to centralised government and the market, the big social challenges of our age go unmet and the rich just get richer at the expense of the poor. It's always been the role of Labour to lead our country into each new era – so let's make sure it is Labour that leads the way to a bright new future of economic success powered by devolution."

- Demanded that Labour should urgently commit to reversing the cuts made to local government, and address the £7bn funding gap faced by 2025
- Give councils the freedom to implement the right solutions for their areas, with real devolution becoming the driver of an economic recovery that benefits the many
- An incoming Labour government should look at all the successful examples of devolution delivering benefits, and support regions and areas to make the most of devolution based on these examples

LGA Labour Group office contacts:

<b>Pete Robbins</b>	Head of the Labour Group Office	07786 064 353
<b>Martin Angus</b>	Political Adviser	07733 174 582
<b>Hannah Lazell</b>	Political Adviser	07920 278 322
<b>Lewis Addlington-Lee</b>	Political Administrator	07464 652 842