

Brexit

December 2019



KEY MESSAGES

- The UK's departure from the European Union (EU) is an opportunity for the UK government, the Local Government Association (LGA) and councils to work together to ensure that a new settlement is created in which communities have a greater say over their futures, new opportunities are identified to grow local economies and the risks to local areas are managed carefully. As the Withdrawal Agreement Bill passes through Parliament, we offer this briefing to highlight the key opportunities and risks for communities and councils in advance of exit day on 31 January 2020.

Brexit preparations

- Since the referendum result councils have played a leading role in the country's preparations for the UK's exit from the European Union, making sure our communities are as ready as they can be in preparing for the opportunities and risks that Brexit will bring. Councils and the LGA have worked hard to ensure that the short and long term issues that matter most to communities are being addressed in partnership with Government and Parliament.

UK Shared Prosperity Fund (UKSPF)

- The UK Shared Prosperity Fund (UKSPF) is an ideal opportunity to empower communities through councils, Combined Authorities and their local areas to drive economic growth, increase prosperity and productivity and tackle deep rooted inequalities. Delivery of change can best be achieved through a locally determined fund that operates alongside other funding the UK Government provides to help boost economic growth in local areas.

Empowering communities

- The UK's departure from the EU gives central and local government an opportunity to rethink the way decisions are made in the UK. Taking back control of our laws cannot mean leaving Brussels only to consolidate power in Whitehall, Holyrood, Cardiff Bay and Stormont. Instead, the UK's departure from the EU must lead to further powers for local communities through local government. It is essential that a bold English devolution settlement is delivered in this Parliament.
- Councils have also set out a bold proposal to strengthen, amend or keep former EU laws to ensure that more powers rest with local communities.¹

Skills

- The UK faces significant geographical skills challenges which includes shortages of higher-skilled technical and vocational workers, which contributes to reduced local growth. We want to work with the Government

Briefing

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to establish a local skills and job offer that can close local skills gaps, help businesses get the right skills and give people new opportunities to succeed.

Inward investment

- As we re-new our trading relationships across the world, councils have an essential role in building our local economies and attracting new business investment into their communities. They can play a pivotal role in helping to provide an integrated 'one stop shop' approach to investment activities at a local level.

Empowering local areas

- UK local government currently has a formal advisory role in the EU law and policy-making process and councils can give advice on how draft laws could be delivered best with front-line services. The UK Government has previously provided assurances that there would mean no loss of rights for local government and these arrangements would be replicated in the UK following our departure from the EU. We will be working with the Government and Parliament to develop and implement new UK proposals designed to help local leaders advise the Government on the design and delivery of laws affecting local services.

FURTHER INFORMATION

This briefing sets out the key long-term opportunities and risks to local areas that we are working with the UK Government to address as the Withdrawal Agreement Bill passes through Parliament and as the UK Government agrees its future trading relationship with the EU.

Funding and economic growth

The UK Shared Prosperity Fund (UKSPF) is the domestic replacement for EU funding. It is an ideal opportunity to empower communities through councils, Combined Authorities and their local areas to drive economic growth, increase prosperity and productivity and tackle deep rooted inequalities. This can best be achieved through a locally determined fund that works in tandem with other growth funding. The LGA's *Beyond Brexit* document sets out what the basic principles will be for successor arrangements.

Councils are taking the lead on arrangements to support their communities and it is vital certainty is now provided around the UK Shared Prosperity Fund (UKSPF). Its introduction is a unique opportunity to design a new fund that is more flexible and responsive to local needs. It should be a place-based fund that enhances existing decision-making structures, is joined up with other funding streams for economic growth, and provides long-term funding certainty.

The Government can signal its commitment to all parts of the UK by working with us now to co-design a localised, place based UKSPF that is accountable to people and places. It should remove the siloed, bureaucratic approach adopted for current EU funding and work with wider growth funding to achieve best value for money. The quantum of funding should be at least equal to the current EU funding programme. Local government structures can provide the necessary accountability for UKSPF to deliver the desired localised outcomes, where these structures do not currently exist.

Empowering local areas

The UK's departure from the EU gives us an opportunity to rethink the way decisions are made in the UK. Taking back control of our laws cannot mean leaving Brussels behind only to consolidate power in Whitehall, Holyrood, Cardiff Bay and Stormont. Instead, the UK's departure from the EU must lead to further powers for communities, delivered through local government. A bold English devolution settlement, building on the recently announced Devolution White Paper is now needed to seize the opportunity to bring power and responsibility closer to local people. Councils and the LGA again offer to co-produce this paper with government.

Shaping our new legal framework

UK local government currently has a formal advisory role in the EU law and policy-making process and councils can give advice on how draft laws could be delivered best at the front-line of public services. Involving local government in this way can ensure that drafting of legislation is influenced by the experience of those at the front line of delivery. The UK Government has previously provided assurances that this helpful advice from local government and these arrangements would be replicated in the UK following EU Exit.ⁱⁱⁱⁱ We will be

working with the Government and Parliament to develop and implement new UK proposals designed to ensure that this advice from local leaders is available to government and Parliament as new laws affecting local areas are designed and delivered.

The law-making process in the UK post-Brexit must benefit from a new relationship between local and central government. Brexit offers the opportunity to strengthen, amend or repeal repatriated EU law. The LGA's publication, *Moving the Conversation on: Brexit*, contains a list of eight areas of EU law which, from a local government perspective, need to be changed, kept or better adapted to local need (for example procurement and state aid). Councils want to work quickly with the Government to start this review.

Skills and Work Local

We already face significant geographical skills challenges including shortages of higher-skilled technical and vocational workers. These skills gaps hamper economic growth and are holding our country back. Brexit, digitalisation, the gig economy, and extended working lives will further transform the economy and this will bring different opportunities and challenges to specific sectors such as construction and social care.

While national reforms like the National Retraining Scheme, apprenticeships, and technical levels seek to address these challenges, ministers will need new policy levers to ensure these different initiatives focus and join up in at the front line of delivery in local places. Councils are the natural partners of Government to make sure that that join up happens.

We would like to work with the UK Government to establish a local skills and job offer that aims to close local skills gaps, help businesses get the correct skills and re-engage communities. The LGA's *Work Local* proposals offer a ready solution to deliver this in a way that would be nationally and locally accountable. It would local partners to work with central government to design a more efficient offer which is customised to local need. It would bring together careers advice and guidance, employment, skills, apprenticeships and business support for young people, adults and employers. We estimate that, in a medium-sized Combined Authority a Work Local model could lead to an additional 8,500 people leaving benefits, an additional 6,000 people improving their skills and additional fiscal benefits for a local area of £280 million per year, with a benefit to the economy of £420 million.^{iv}

Trade

As we renew our trading relationships, councils and their communities can play a vital role to provide an integrated 'one stop shop' approach to investment activities at a local level.

In December 2018, the International Trade Select Committee recommended that local government should have a voice throughout the trade policy process and that the UK Government should consider whether it would be appropriate to include local government representation on the Strategic Trade Advisory Group.^v If the UK is to secure trade and international investment on a scale that fully unleashes the nation's potential, councils want to work with Government to take

up the Committee's recommendations in earnest and help develop national trade policy.

ⁱ For further information please see the LGA's report *Moving the Conversation on: Brexit*, available at: https://www.local.gov.uk/sites/default/files/documents/5.39%20Brexit_v06WEB.pdf

ⁱⁱ Debate, House of Lords, 19 March 2018

ⁱⁱⁱ This is also in line with section 4 of the EU Withdrawal Act 2018 which converts all 'rights, powers, liabilities, obligations, restrictions, remedies and procedures' available by reason of the European Communities Act 1972 into domestic law.

^{iv} Further information on the LGA's *Work Local* proposals available at:

https://www.local.gov.uk/sites/default/files/documents/5%2015%20Work%20Local_v05_web.pdf

^v H/C, International trade Select Committee report, *UK trade policy transparency and scrutiny*, available at: <https://publications.parliament.uk/pa/cm201719/cmselect/cmtrade/1043/1043.pdf>