

Local Government Association (LGA)

The future relationship between the United Kingdom and the European Union



Introduction

Since the referendum in 2016, the LGA has been highlighting the most important risks and opportunities for local government resulting from the UK's exit from the EU. In our [conference publication](#) of July 2018, we summarised these issues which we had established through wide consultation with the sector.¹ As a result of this extensive work by the LGA, at our July 2018 Annual Conference, ministers set up a Delivery Board with local government through which the LGA will be seeking to ensure our key issues are addressed.

On 12 July 2018, the Government published, 'The Future Relationship between the UK and the EU'. This is a White Paper which clarifies the UK negotiating position. It provides the most detailed UK position to date.

This briefing sets out the key issues for local government from the White Paper. It focuses on those issues that the LGA has already identified as critical from a council perspective. It also looks, where relevant, at the impact of a "no deal" scenario.

The LGA has a wide-ranging programme of work on Brexit. [Details can be found online.](#)

The Summary of the White Paper

The White Paper published on 12 July 2018 renews the UK's negotiating position.

It is important to state that it is a UK negotiating position which is likely to change as it is discussed with EU negotiators. The October EU Summit is likely to agree the final exit deal which may differ from the proposals in this paper. This briefing deals solely with the proposals in the July White Paper.

In summary, the White Paper proposes four areas for future cooperation between the EU and the UK:

- An economic partnership, including a free trade area in goods which avoids the need for customs and regulatory checks at borders² and a new arrangement for services based on regulatory flexibility.³ It also includes a framework for mobility which 'will be crucial to supporting public services'.⁴
- Security Cooperation in areas such as law enforcement and defence.
- Future cross-cutting cooperation in areas such as data protection and fishing rights.
- New institutional arrangements governing the UK-EU relationship, which acknowledge the need for input from all parts of the UK.⁵

¹ <https://www.local.gov.uk/moving-the-conversation-on/brexit>

² [The future relationship between the UK and the EU](#), DExEU, chapter 1 and 2

³ [The future relationship between the UK and the EU](#), DExEU, chapter 1 and 3

⁴ [The future relationship between the UK and the EU](#), DExEU, page 3, paragraph 75

⁵ [The future relationship between the UK and the EU](#), DExEU, page 95

The overall principles in the Executive Summary sets out the importance of replacing EU Structural Funds, ‘using the Shared Prosperity Fund to spark a new wave of regeneration in the UK’s towns and cities...’.⁶

In her introduction the Prime Minister states that the new UK plan ‘would end vast annual contributions to the EU budget, releasing funds for domestic priorities – in particular our long-term plan for the NHS’.⁷ The LGA has consistently set out the case for additional resources for social care. As we stated in our Autumn Statement submission of 2016: ‘Treasury figures indicate a net contribution of £8.5 billion annually to the EU. Post exit, the Government has choices on how any such funds are redeployed. The next few years will be extremely challenging for councils who we estimate face an almost £5.8 billion funding gap by 2020. The Government must consider the needs of our local communities as post-exit financial decisions are made.’⁸ At LGA Annual Conference this year we updated this figure with new analysis which estimates that councils in England will face a funding gap of £7.8 billion by 2025.⁹

Implications for Local Government

Local impact

Chapter 1 of the White Paper sets out the UK’s proposal for the future economic relationship between the UK and the EU. It proposes the alignment of the UK and EU markets in goods, based on a ‘common rule book’ to provide for frictionless trade in good.¹⁰ The jurisdiction of the European Court of Justice will end, but the UK proposes to ‘pay regard to’ its decisions in areas where the common rules are in force.¹¹

The new arrangements for services will provide regulatory flexibility. In particularly this includes new economic and regulatory arrangements for financial services, meaning that the UK and EU will not maintain the current level of access to each other’s markets in services.¹²

The onus will be on councils and their local partners to provide evidence on likely impacts locally of this proposed new relationship. Already commentators have given a view on the possible national impact, but more detailed evidence is likely to demonstrate a variable picture locally according to dependency on different sectors.

For example, in the North East manufacturing makes up 14 per cent of the regional GVA, compared to a national average of 9.7 per cent. The automotive sector is a key contributor in this region, with 240 automotive companies generating an estimated £11 billion in sales and £6.5 billion in exports per year. 56 per cent of North East goods are destined for EU markets and the manufacturing base for

⁶ [The future relationship between the UK and the EU](#), DExEU, page 6

⁷ [The future relationship between the UK and the EU](#), DExEU, page 2

⁸ <https://www.local.gov.uk/parliament/briefings-and-responses/autumn-statement-2016>

⁹ <https://www.local.gov.uk/about/news/councils-face-almost-ps8-billion-funding-black-hole-2025>

¹⁰ [The future relationship between the UK and the EU](#), DExEU, page 14, paragraph 7

¹¹ [The future relationship between the UK and the EU](#), DExEU, page 23, paragraph 35

¹² [The future relationship between the UK and the EU](#), DExEU, page 25, paragraph 48

these goods are integrated in long-standing supply chains through the EU single market.

In Greater Manchester, the export of services makes up over 80 per cent of their economy, including business, finance and other professional services. Not all of this export activity is directly to the EU, however, they do form part of the supply chains for other regions providing services to the EU and so are equally vulnerable.

In the coming weeks, we will be ensuring that this differential picture is discussed with ministers and forms part of the national debate. We continue to consult widely with the sector, further building our evidence base to support the exit negotiations to maximise the available opportunities and mitigate the risks to achieve the best possible outcome for local communities.

The LGA has an ongoing call for evidence and would welcome views from councils on the proposed new arrangements for goods and services. Evidence can be submitted at Brexit@local.gov.uk.

Devolution

The UK's current constitutional settlement on devolution stops at Westminster, Stormont, Cardiff Bay and Holyrood. This means that English communities lack an equivalent voice in UK law-making. Brexit presents the opportunity to give local communities across the UK an equal right to take control of the key decisions that affect their lives.

Taking decisions over how to run local services closer to where people live is key to improving them and saving money. Mayoral Combined Authorities have already begun to demonstrate the value of devolving powers to leaders close to the concerns of local people. Government should build on this strong foundation and bring forward plans to enhance the devolved powers of all areas in England.

Local authorities in the UK currently hold legal rights and responsibilities in the EU law and policy-making process. By testing draft EU legislation that affects local communities against front-line delivery, local government has helped make better laws.

In order to safeguard this critical advisory function, the LGA, working with three other UK associations of local government, has ensured that these EU rights and responsibilities will be transferred across to the UK. The Government has recently committed to publishing a written ministerial statement with the details of how local government rights and responsibilities will be implemented once transferred from the EU to the UK.

The July White Paper states that leaving the EU's institutions will ensure that the laws people live by will be accountable to the people of the UK.

Chapter 4 of the White Paper considers this issue in some detail, highlighting the role of the UK Parliament in scrutinising legislation relevant to ongoing cooperation between the UK and the EU, including those that relate to the development and adherence of a 'common rule book'. The White Paper does state that 'the UK Government will work with the devolved administrations to ensure that processes

are put in place which reflect the devolution settlements and provide for appropriate input from all parts of the UK'.¹³

We now have the opportunity through the proposed written ministerial statement on the transfer of local government rights and responsibilities to the UK to take account of this new commitment to involving 'all parts of the UK' in the new institutional and governmental framework post-Brexit and the LGA will be working with MHCLG on this issue.

Repatriation of power

The LGA established at an early stage areas where, following withdrawal from the EU, there are opportunities to keep or make amendments to EU laws that affect councils to help strengthen local communities. In our conference document, we provided a priority list of those EU laws to be kept, amended or deleted. A summary can be found [here](#).¹⁴

On public procurement for example, the LGA seeks a less bureaucratic system which would do more to support local social and economic development. We would like to see an increased ability to specify local apprenticeships and employment in public contracts for example, whilst still ensuring fair competition as well as an increased ability to pursue more concrete SME preference policies. The White Paper's proposals open the way for such new procurement arrangements.¹⁵

The proposed agreement foresees a harmonised state aid policy with the EU and commits to maintaining a 'common rule book'.¹⁶ This would rule out potentially beneficial changes that the LGA has advocated such as changing the de-minimis rules, and allowing councils to grant small amounts of aid to activities which benefit local communities. We will want to work with Government to ensure that within the context of a common rulebook we are able to maximise the aid opportunities for community groups, the voluntary sector, and small businesses and reduce the bureaucracy they face in applying for aid.

The Government's intention is that the agreement underpinning the future relationship should not cover how food products are presented to consumers.¹⁷ If agreed, this could open the way for traffic light labelling on food products in the UK which is something that the LGA and councils have called for as a means of promoting healthier lifestyles and reducing obesity.¹⁸

¹³ [The future relationship between the UK and the EU](#), DExEU, page 95, paragraph 56

¹⁴ <https://www.local.gov.uk/moving-the-conversation-on/brexit> page 29 'Top Brexit issues for councils'

¹⁵ [The future relationship between the UK and the EU](#), DExEU, page 38, paragraph 111

¹⁶ [The future relationship between the UK and the EU](#), DExEU, page 38, paragraph 111

¹⁷ [The future relationship between the UK and the EU](#), DExEU, page 23, paragraph 36

¹⁸ [The future relationship between the UK and the EU](#), DExEU, page 23, paragraph 36

It is proposed that the UK will maintain ‘high standards’ on the environment through a non-regression requirement¹⁹ and on consumer protection.²⁰

We have argued that withdrawal from the EU provides the opportunity to revise our approach to waste management while maintaining a national commitment to a circular economy and recycling. Within the context of any future non-regression agreement, councils will want to work with government on the future approach to waste and resource use.

Free movement of people / supplying the skills our local economies need

The Government’s White Paper confirms that free movement of people will end in December 2020 and that the Immigration Bill will bring migration under UK law.²¹ The White Paper states that future immigration arrangements, to be designed to work for all parts of the UK, support public services and enhance UK research, development and innovation, will set out how those from the EU and elsewhere can apply to come and work in the UK.²² Reciprocal arrangements with the EU, timed to coincide with the end of free movement, will be sought to help businesses get the right staff, allow citizens to travel visa-free for tourism or temporary business trips, and help students study abroad.²³

Labour markets are local. As leaders of place and one of the largest local employers, councils have a unique insight and interest in ensuring the needs of employers in the local economy – both large and small, public and private – are understood and met. Councils continue to provide valuable insight into the potential shortages of workers post-Brexit, within local government and the wider public sector. This includes social care and health, and local industries such as agriculture, catering, hospitality, construction, retail and tourism. A steady skills supply is critical to business continuity of our local economies.

Social care is one of the sectors most vulnerable to migration rule changes. It is underfunded, faces growing demand, and has long faced recruitment and retention challenges, even before the Brexit ‘effect’. EU nationals make up 7 per cent of its workforce with local variations ranging from 13 per cent in London to 2 per cent in the North East. It is critical that the Government looks into the skills needs of the sector so it can continue to deliver this vital service.

We need a high performing and well-coordinated employment and skills system responsive to the needs of employers and local areas if we are to address skills gaps and shortage by investing adequately in, and targeting retraining and upskilling support of the current workforce and ensuring young people are trained for current and future jobs. However, research for the LGA identified that, notwithstanding Brexit, we face a multitude of skills challenges, which our national

¹⁹ [The future relationship between the UK and the EU](#), DExEU, page 39, paragraphs 117 and 118)

²⁰ [The future relationship between the UK and the EU](#), DExEU, page 41, paragraphs 124 to 126).

²¹ [The future relationship between the UK and the EU](#), DExEU, page 32, paragraph 73

²² [The future relationship between the UK and the EU](#), DExEU, page 32, paragraph 74

²³ [The future relationship between the UK and the EU](#), DExEU, page 32, paragraph 76

skills system has failed to address. A national system simply cannot identify and address the unique challenges and opportunities within and between places.

The LGA's positive solution is [Work Local](#). This is a one-stop, locally rooted, employer-led system integrating and devolving careers advice and guidance with the delivery of employment, skills, apprenticeships and wider support for individuals and employers. It would be delivered by councils / combined authorities, working with local and national partners. We continue to call on the Government to embrace this place-based approach, which is now critical to the skills challenges and opportunities of Brexit and the Industrial Strategy.

Ports

The LGA has consistently highlighted the potential impact of Brexit on councils' ability to fulfil their regulatory responsibilities, both at border points and more widely.

Councils are responsible for port health checks on imported food and feed products. We have warned that any changes to the treatment of goods from the EU – that is, to manage them as existing third country goods are treated – would significantly increase the number of checks required, and therefore the resources required to do this. We had also emphasised to Government that councils are reliant on key EU intelligence sharing databases to help target their regulatory work and carry out checks accordingly. Without UK access to this vital information, our ability to protect public health would be weakened.

The White Paper recognises these issues and puts forward proposals that would avoid the need for councils to undertake new regulatory checks of relevant EU goods as they are imported. The Government has also accepted the LGA's arguments about the importance of the UK retaining access to key databases, and sets out a request for continued access to RAPEX, RASFF and ICSMS.²⁴

The White Paper proposals would therefore ensure that there are no new regulatory burdens placed on councils in relation to goods being imported from – or exported to – the EU and that our ability to protect public health is maintained. This should avoid backlogs in ports of entry caused by additional checks, and will support businesses across the country that rely on frictionless trade with the EU.

However, if agreement with the EU on the White Paper proposals cannot be reached, there remains a risk that councils will be required to undertake new checks on imports from the EU in the event of a no deal scenario. The City of London has estimated that this could increase their workload by around a quarter; the impact could be even greater at other ports of entry. It is therefore hugely important to councils, local areas and local businesses that the White Paper proposals are secured.²⁵

²⁴ [The future relationship between the UK and the EU](#), DExEU, page 25, paragraph 46

²⁵ <http://democracy.cityoflondon.gov.uk/documents/s83957/Impact%20of%20Brexit%20on%20Port%20Health%20Public%20Protection%20-%20final.pdf>

Funding

We welcome the acknowledgement from the Government of the importance of replacing EU regional funding, currently worth £8.4 billion (2014-20), with the UK Shared Prosperity Fund (UKSPF).²⁶ The announcement of a replacement fund follows extensive lobbying by the LGA. The EU 'structural funds' have been used by local areas for decades to create jobs, support small and medium enterprises, deliver skills training, and invest in critical transport and digital infrastructure. These vital investments, coupled with similar amounts of loan and guarantee funding from the European Investment Bank (EIB), boost inclusive growth across the country.

However, it is important that the Government act immediately to consult on the detail of what the future fund will look like. Councils and local areas need to know quickly how they will be able to bid, and receive guarantees that the UKSPF will at least match the funding they receive from the current European Structural and Investment Funds. It is disappointing that local communities have not received guarantees that future regeneration funding will match levels when funding was sourced from the EU.

In the event of a 'no deal' scenario, local areas also need certainty that they will receive their current funding allocations as soon as possible after we leave the EU in March 2019. Without prompt action by government there is a risk that billions of pounds of investment into our communities will be lost and local areas and economies will be denied desperately-needed funding.

In our conference report on Brexit, we also called on the government to keep the door open for the UK to 'buy into' certain EU programmes, such as the Horizon Europe research programme and Erasmus+, as well as programmes which share best practice and expertise in urban development. We therefore welcome the news that the government has adopted this position through the cooperative accords and other commitments.²⁷ This should allow the UK to buy into joint EU programmes that are beneficial to local areas. This includes a number of fields relevant to local government, such as:

- science and innovation,
- culture and education,
- defence research and capability development,
- space.

The government recognises that, in order for this partnership working to be successful, each accord will need to have its own governance arrangements between the parties concerned. It is therefore essential that local areas are included in this arrangement to ensure that the programmes are meeting local economic objectives and provide opportunities to build on existing activity or new forms of cooperation.

²⁶ [The future relationship between the UK and the EU](#), DExEU, page 6

²⁷ [The future relationship between the UK and the EU](#), DExEU, page 76

Trade

The White Paper highlights the opportunity for the UK to chart a new independent trade policy in line with its priorities and sovereign interests.²⁸ It is also proposed that the UK's future approach to trade will align with its modern Industrial Strategy, to ensure the benefits of trade are more widely shared.

While it is difficult to be precise regarding the implications of this approach, it is clear that different parts of the country will be affected differently by changes to the scope and scale of trade in goods, digital and other services both with the EU and the rest of the world.

Drawing on the evidence and priorities identified by local areas through Local Industrial Strategies would seem to present a prime opportunity to capture and understand these issues and to support effective co-ordination between places and across Whitehall Departments such as BEIS and DIT. Not least because independent research commissioned by the LGA has identified over 80 programmes and projects designed to promote trade and foreign investment at a national and sub-national level.

However, despite strong enthusiasm from local leaders, there has yet to be a clear public commitment that all parts of England will be given the necessary support and engagement from Government to develop a Local Industrial Strategy in a timely manner. This is now a question that must be urgently addressed.

Under the terms of the draft Withdrawal Agreement with the EU, the UK would be free to negotiate, sign and ratify Free Trade Agreements during the implementation period and bring them into force from January 2021.

Councils are uniquely positioned to build trade and investment links with cities and regions across the world, with an ability to leverage access to local markets, businesses and investors and draw on a deep understanding of local assets and investment priorities.

The LGA has recently held a high-level meeting with senior officials from the Department of International Trade to put on record the offer from local government to harness our collective expertise and established international relationships in pursuit of ambitious new trade agreements across the world. We look forward to building on this promising start and strengthening the role councils can play to drive exports, attract inward investment, and support the negotiation of complex trade deals with partners across the world.

We are also underlining to government that local public services, such as social services, must be treated appropriately in any new trade deals.

2019 local elections

The White Paper does not comment on reciprocal voting rights. Uncertainty about the rights of EU citizens to stand and vote in local elections from 2019 remains a key issue for local democracy. The draft Withdrawal Treaty states that relevant

²⁸ [The future relationship between the UK and the EU](#), DExEU, page 47

clauses in the EU Treaty will not apply after March 2019. However, these rights are enshrined in UK law under the Representation of the People Act, which will remain. We are seeking clarity on this issue. This is a fast-approaching issue as parties will be beginning to select their candidates for 2019.



Briefing

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