

Brexit Update

Purpose of report

For information.

Summary

This paper updates the Executive and Leadership Board on the LGA's work to advise the Government on the opportunities and risks for local government from Brexit.

Recommendation

That the Leadership Board note the update.

Actions

Officers to incorporate the Leadership Board's steer into future work.

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Brexit Update

Background

1. The report updates members on our work since LGA conference at which we advised ministers on the big opportunities and risks for the sector and where action is needed at a national level.
2. Since conference, the Government has published a White Paper on the renewed UK negotiating stance and it has published the first tranche of a series of technical papers on how we need to prepare for a “no deal” scenario.
3. Further announcements have been made on EU funding and the Secretary of State for Housing, Communities and Local Government has set up a Brexit Deliver Board with the sector to help prepare for Brexit.

LGA Conference

4. At conference, we launched our conference paper ([here](#)) which set out a summary of the local government risks and opportunities which have been developed by the LGA since the referendum. Through the publication, we have refreshed our calls for national action to address the risks and develop the opportunities.
5. In summary, the headline issues are:
 - 5.1. Brexit as an opportunity to devolve powers to local communities through local government.
 - 5.2. The urgent need for a UK replacement for EU Structural Funds.
 - 5.3. More local flexibility from laws which have been repatriated from Brussels and which currently regulate local services (such as waste and procurement).
 - 5.4. The high number of non-UK EU workers running key local services.
 - 5.5. Local government responsibilities at ports of entry.
 - 5.6. The differential impact of Brexit across areas of the UK.
6. Leading members met the MHCLG Secretary of State and a minister from DEXEU in Birmingham during our conference and presented the report to them. We particularly stressed the issue of a UK successor to EU funding, clarity in eligibility to stand and vote in municipal elections in May 2019 and the number of non-UK, EU citizens who run vital public services.

MHCLG Delivery Board

7. After the meeting at LGA conference with ministers, the Secretary of State announced in his conference speech, the setting up of a Brexit Delivery Board with local government.

8. The first meeting of the Delivery Board was held on 19 July 2018. A joint communique from the meeting was agreed and can be found here:
<https://www.gov.uk/government/news/brexit-ministerial-local-government-delivery-board-update>.
9. A further meeting will take place in September. From the LGA, we have emphasised the importance of discussing the key priorities from our Brexit work programme and the importance of meeting representatives from other Government departments to ensure a join-up of local government issues which cross a number of Whitehall departments.

New Government White Paper

10. 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. This is the statement following the Cabinet's summit at Chequers. It provides the most detailed UK position to date from the Government.
11. The LGA published its analysis of the Government's position paper.
<https://www.local.gov.uk/parliament/briefings-and-responses/future-relationship-between-united-kingdom-and-european-union> .
12. We identified a number of areas where LGA concerns had been addressed (including the commitment to a UK successor to EU funds as a priority and a proposed reform of procurement rules). However, concerns remained in other areas (such as the proposal for no change in state aid rules) and in areas where the White Paper offered no clarity (such as EU exit releasing funds for social care and no clarity on voting/standing rights in local elections).
13. The EU has yet to respond formally to the Government's proposals.

"No Deal scenario"

14. Over the summer, the Government announced that a series of technical papers would be published which would provide advice on how we would deal with a "no deal" scenario. About 80 papers have been promised which would set out, in brief, how the country should prepare in specific areas for 'no deal'.
15. Rather than simply reacting to the papers, the LGA published, in advance of the Government's papers, an analysis of the headline issues for councils under a no deal scenario. This can be found [here](#).
16. The intention was to set out clearly where the sector needed national action or advice and to analyse the subsequent Government's papers against our priorities to judge whether councils had the clarity that they were seeking.
17. To date the government has published an overview of the UK government's preparations for a no deal scenario together with 24 [guidance documents](#) across a range of policy areas which set out: what the government will do to secure the legal framework in a no deal scenario; what will change for businesses, other institutions and individuals; and

what actions they will need to take. We expect that the guidance documents will be published in full by the end of September 2018.

18. Government will require feedback on its “no deal” papers and it is intended this is based the LGA’s own analysis of no deal and whether clarity has been provided. Our analysis of the guidance documents is ongoing (as the majority have yet to be published) and we have asked councils to provide us with feedback from their own place based perspective. The Government’s approach is to prioritise stability. As such the no deal documents highlight the role of the EU Withdrawal Act 2018 in ensuring that the same rules and laws will apply after exit. In a number of cases the government is proposing to take unilateral action. From the first tranche of guidance this includes establishing a Temporary Permission Regime that will allow EEA financial firms to continue operating in the UK and continuing to accept EU approved medical devices. We are likely to see this approach taken by the government in other areas of policy. In those published to date, the papers have not addressed a number of the key questions that were raised in our no-deal briefing. For example, the processes for accessing replacement EU funding (the guarantee of replacement is established) and the implications for EU wide procurements that are not completed by 29 March 2019.
19. The style and content of the guidance so far suggests that these papers will not answer questions about future public policy, for example, the design of the UK replacement to EU structural funds or the approach to future flexibilities in procurement procedures. Nor are they likely to go into practical contingencies in key areas such as port operations. We will need to continue to pursue these issues through other routes.
20. Once all the Government’s papers are published, we will provide a full analysis for the LGA’s Brexit Task Force.

EU funding

21. The LGA has been lobbying to ensure that the current EU funds for local regeneration are secured. We have had a number of successes including a commitment from the Government to buy-in to the current funding programme to the end of the EU budget period (Dec 2020). After further LGA lobbying, a further commitment was made by Government with the announcement by the Treasury that, in an event of a no deal, the Government would cover European Structural and Investment Funds until 2020. This provides certainty that there will be no gap in funding to 2021.
<https://www.local.gov.uk/about/news/lga-responds-government-announcement-funding-eu-programmes>
22. The LGA’s work will now concentrate on the development of a UK successor arrangement from 2021. This work began in 2017 when we published a proposed for place based funding as the UK successor model. We are currently working to shape early Government thinking.

Committee of the Regions legacy in UK

23. Based on LGA lobbying and a commitment from the Government made in the Lords, there are ongoing discussions about a UK mechanism to replace local government's right and responsibilities in EU law-making. Unlike the MHCLG Delivery Board, this will be UK wide approach, with the LGA working with COSLA, WLGA and NILGA. The Parliamentary commitment from ministers was that the detail of this future UK arrangement will developed with MHCLG and announced through a Parliamentary Statement.
24. There is likely to be a slightly longer timescale on developing the detail as the July UK White Paper (Chapter 4) considers in some detail the future UK/EU institutional framework and how the UK would considers any EU laws in any UK/EU common rulebook. We would want to ensure that local government has a formal place as these new arrangements are developed. 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'.
25. We will need to join up these discussions.

Our Brexit work over the next few months

26. It is hoped that a deal will be agreed between the UK and the EU at the October EU summit. After that, there has to be a meaningful vote in Parliament. Whilst we cannot predict whether an agreement will be reached or whether there will be positive vote in Parliament, we can anticipate that there may be many iterations of the draft agreement between the EU and UK. During this period, the LGA will be working closely with MHCLG to identify the opportunities and risks for councils from future scenarios and publishing analyses for councils to ensure that timely information is provided in what is likely to be a fast-paced environment.

Implications for Wales

27. We continue to work with the Welsh LGA and other associations in coordinating our engagement with government on Brexit.

Financial Implications

28. No immediate financial implications.

Next Steps

29. The Leadership Board take note of the updates detailed in the report and for officers to incorporate the Leadership Boards steer into future work.