

## Written evidence submitted the Local Government Association (FRE0098)

- What are English local and regional authorities' key priorities in the negotiations between the UK and the EU? How do these priorities vary between different parts of the country? Has the Covid-19 pandemic changed any of these priorities?

Councils have a series of key priorities relating to the UK-EU trade talks. As we note later with regards to growth funding, there are significant variations in local economic development needs which call for a fully resourced localised response:

- 1. Local economies:** The impacts of any economic changes from the trade talks are likely to be felt differently across England. Each local economy has its own specialities and unique labour market profiles. Councils and the LGA have assumed that the onus has been on them to provide the analysis, asks and solutions in relation to the impacts of EU exit needs and future of local economies. The assumption going forward is that this will continue to be councils' work, whether a deal is agreed or not. Councils will need the local levers and powers to deal with any changes.
- 2. Regulation of public services:** Councils are responsible for a range of services where standards and regulations are based in EU law. These include procurement, environmental services, environmental health, trading standards and social protection. Those EU rules not already in UK statute will be converted into UK law from 1 January 2021, providing continuity of the legal framework for councils. Local public services will have to reference the new UK laws from this date assuming all the relevant Statutory Instruments are in place. This approach should provide regulatory stability for councils before some EU-origin rules are potentially reviewed by government and amended by parliamentary procedure in the normal way.

Trade talks may define future rules in these services. For example, we may follow EU rules or be able to create new UK standards. Councils need long-term certainty and to know how the regulatory regime will operate as it affects vital aspects of local public service delivery, as mentioned above: state aid, procurement rules, environmental rules and social protection.

- 3. Ports and controls on goods:** Ports of entry (both air and sea) are at the forefront of councils' work to prepare for the end of the transition period, particularly around transport links and new work for regulatory services.

As port health authorities, some councils are legally responsible for undertaking checks of certain imports, including products of animal origin and high-risk food products, as they enter the country. Without a trade deal, full checks of these goods are currently planned to commence in July 2021: this will increase the demands on councils. We are monitoring the development of inland checking points and seeking clarity on where the responsibilities for these port health duties will lie if they cannot take place in ports. Detailed work by Councils' Regulatory Services may need to be undertaken to reflect developing changes, and to support the businesses impacted by changes to import/export controls. However, the demand on regulatory services is already very high, and they are pivotal to the delivery

of Covid-19 testing and tracing. We have a concern about capacity in this area as a result of the multiple demands on staff in an area of skill shortages.

Engagement and financial support from the Department of Transport will be key to port authorities to ensure that there is the capacity on local roads to deal effectively with any traffic issues linked to congestion at ports.

- 4. Costs:** The conclusion of trade talks may bring changes to tariff regimes. In the case of a zero-tariff deal not being secured, councils will need to know any change in costs (both reduced and increased) that will be introduced as a result of the new tariff regime, both in relation to councils' procurement activities, and for impacts on exporting SMEs which may need support to adapt.

There are further key issues in relation to EU exit which do not directly relate to the trade talks. Some issues are now for domestic debate but are related directly to new policy formation on EU exit:

- 5. Employment, migration and key workers:** Seven per cent of social care workers are from the EU, with regional variations. The EU Settlement Scheme is in place until June 2021 and councils will have a role in identifying hard-to-reach applicants. Crucially, a new UK migration policy is still being formed. During the pandemic, our social care workers have demonstrated more than ever how important and valued they are in caring for our loved ones. With 122,000 care worker vacancies, the Government needs to ensure that social care workers are included in the new health and care visa to help fill these vital roles. Social care should be given parity of esteem with the NHS and other health professionals.
- 6. Local government advice on legislation:** We will continue to work with MHCLG for a (non-statutory) replacement for the work that was previously undertaken by the EU Committee of Regions, giving councils the opportunity to help shape new legislation.

**• To what extent do different English local and regional authorities' priorities align with the negotiating aims set out by the UK Government? What are the areas of greatest disagreement?**

During the referendum campaign and beyond, the LGA remained neutral on the central question of EU membership. There continue to be a variety of views in the sector on the objectives and outcome of the trade talks.

**• To what extent did the UK Government consult English local and regional authorities before publishing its negotiating mandate? Were any amendments made as a result? Have they contributed to, or had the opportunity to comment on, any UK draft legal texts?**

The LGA, on behalf of councils, has engaged with the Government on a wide range of topics with regards to the future relationship with the EU, including in relation to the trade negotiations. This engagement has taken various forms:

- through LGA representation on the MHCLG's EU Exit Ministerial Local Government Board, supported by a network of regional local authority Chief Executive leads who help coordinate information to councils.
- political meetings between the LGA and Ministers, as well as meetings between the LGA and Whitehall officials.

- regular meetings between LGA staff in Brussels and the UK's Mission to the EU, specifically on the negotiations.

The LGA in turn hosts local government's EU Exit Taskforce which brings together all the LGA political groups to provide a common view from councils and feed this into the Government. The other three UK associations of local government (WLGA, COSLA, NILGA) attend this forum as observers.

• What would be the possible **consequences** for English local and regional authorities and the areas they administer of a deal which does not meet their priorities? How do these possible consequences vary between different parts of the country? To what extent do English local and regional authorities have the **power and resources** to address any resulting social or economic impact on their area?

Councils are at the front-line of supporting their communities during the Covid-19 crisis. The work of councils in preparing for EU transition must be considered in this context. EU transition is one of many challenges that councils will be addressing in 2020.

Covid-19 has exacerbated the existing funding pressures councils were already facing. Prior to the Covid-19 crisis, councils were facing a funding gap of £6.4 billion by 2024/25<sup>i</sup> even with the assumption of council tax increases of 2 per cent each year, fees and charges rising and sustained levels of business rates growth. The newest information from the June round of the MHCLG's financial information survey indicates that the financial challenge related to Covid-19 that councils are dealing with is nearly £11 billion.

Of this, the Government has so far met £3.7 billion with welcome grant funding and clinical commissioning groups have contributed nearly £300 million from their budgets. A scheme to share some losses of sales, fees and charges is being developed, with full information not yet available at the time of writing. The Government also committed to reviewing the sharing of lost business rates and council tax at the time of the 2020 Spending Review.

We want to work with the Government to ensure a package of measures are put in place to provide a bespoke solution to address losses in local taxation, meet all additional costs councils are incurring as a result of the pandemic and provide a guarantee for all lost income from fees and charges and other sources. Councils have a legal duty to balance their budgets each year and these measures are vital if councils are to avoid taking steps, such as in-year cuts to local services, to cope with funding shortfalls.

The financial impact of the crisis, including the economic fallout, will continue to be felt into next year and beyond, both in terms of councils' own income and grant funding available. Therefore, the next Budget and the autumn Spending Review will need to take first steps to properly enshrine long term, locally-led investment in the economy and infrastructure as well as take steps towards a place-based rather than agency-based model of funding local public services. The Government bringing forward UK Shared Prosperity Fund (UKSPF) proposals at pace would help underpin local efforts to drive medium and long-term economic recovery.

• Is it clear at which **level of government** powers previously exercised by EU bodies will now sit? Does the end of EU competency over many areas of policy represent an opportunity for **further devolution** to English regions? If so, which areas of policy and which regions would be most suitable? Are you aware of any such proposals made by English local and regional authorities?

The LGA has been clear that our exit from the EU must not result in a centralisation of powers in Whitehall. This is a unique opportunity to empower local communities. We need new devolution settlements in England and across the UK to bring new powers to communities through local democracy.

The Devolution and Recovery White Paper provides an opportunity to better equip local government to deliver growth locally and needs to be delivered at pace. Local communities are different and are presented with a different range of skills, economic assets and challenges and opportunities. One size fits all approaches do not achieve the best outcomes for jobs and business.

The LGA's Rethinking Local campaign<sup>ii</sup> sets out how a new localism settlement could strengthen local government and help councils to support their communities and local economies through the EU transition, the recovery from the Covid-19 pandemic and beyond.

• What are English local and regional authorities' key priorities for the **Shared Prosperity Fund**? How do these priorities vary between different parts of the country? Has the Covid-19 pandemic altered these priorities? On what basis should funds be allocated? To what extent should any formula account for the differing effects of leaving the EU on each region? To what extent have English local and regional authorities been consulted by the Government about the design of the fund?

There continues to be a lack of detail on the design of the UKSPF. There has recently been confirmation that there will be cross-departmental discussions after the Comprehensive Spending Review 2020 and that the UKSPF will be at least the value of the EU funds it will be replacing.<sup>iii</sup> This is welcomed. The Fund will now need to be designed in the context of the recovery from the Covid-19 pandemic and lockdown, but also be flexible enough to adapt to the many challenges which arise locally. The key priorities should be that the fund should be locally driven, democratically accountable and allocated based around locally determined needs and outcomes. It should be aligned to wider growth funding and move towards a single funding pot.

One concern is the potential for a 'gap' between the end of the European Structural and Investment Funds programme (ESIF, 2014-20) and the beginning of the new UKSPF. Some local areas face the prospect of important local projects not being able to continue, unless there is longer term funding certainty.

The LGA has regular engagement with the Government on these questions, as well as representation on the National (England) ESIF Growth Programme Board which steers the delivery of the current ESIF 2014-20 programme.

We know the Government's intentions for other EU funding programmes as part of the negotiations. The UK is seeking to participate in Horizon and other science-based funds and elements of the ERASMUS+ programme for students (but time limited). There are no intentions to continue with the INTERREG programme which funds cooperation between UK and EU cities on common challenges, except participation in the Northern Ireland PEACE programme which is already agreed. We are not aware of discussion with the European Investment Bank about third-country access to the loans and guarantees the bank has previously provided to local projects in the UK. Again, successor arrangements should be in place to ensure local areas have continued access to finance and are able to make long term investment decisions.

• What steps have English local and regional authorities taken to **prepare businesses and civil society** for the end of the Transition Period? Has there been any coordination with the UK

*Government about what practical changes businesses will need to make? Do SMEs face any additional challenges?*

During the Covid-19 pandemic councils have been focused on delivering urgent grants and providing business relief to local organisations on behalf of the Government. As of 28 June, councils have paid out 86 per cent of the grant allocations, nearly £10.57 billion, to over 861,000 businesses and have worked with the Government to identify and meet gaps in support through an additional discretionary fund. This has demonstrated that that with the right tools and resources, councils can deliver on the ambitions of government and local economies.

During the negotiations, councils were concerned about the impact of leaving the EU on community cohesion. Local areas will continue to monitor cohesion during and after the transition period.

*• What **opportunities** does leaving the Transition Period present for English local and regional authorities and the areas they administer? What steps are English local and regional authorities taking to exploit these opportunities?*

We have detailed to the Government the opportunities for empowering local communities as the UK leaves the EU. These include:

- The opportunity to devolve powers and levers to local communities through councils to ensure that we are not replacing Brussels with a centralisation of power in Whitehall.
- We have detailed the EU legal powers which could be deleted, kept or strengthened in our report.<sup>iv</sup> This includes firm recommendations on procurement, state-aid and food standards.
- We have the opportunity to transfer to the UK the legal rights that councils have as part of the EU to be consulted on all draft legislation and to provide formal advice to Parliament.
- We also have the opportunity to refresh the way in which EU funds are distributed, to ensure that new funds are devolved to local communities through councils and combined authorities.

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<sup>i</sup> <https://www.local.gov.uk/about/campaigns/re-thinking-local/re-thinking-local-funding-services-and-investing-communities>

<sup>ii</sup> <https://www.local.gov.uk/about/campaigns/re-thinking-local>

<sup>iii</sup> <https://hansard.parliament.uk/lords/2020-05-21/debates/EB7B787B-3CD7-4C49-8965-A63CF844FCC1/UKSharedProsperityFund>

<sup>iv</sup> [https://www.local.gov.uk/sites/default/files/documents/5.39%20Brexit\\_v06WEB.pdf](https://www.local.gov.uk/sites/default/files/documents/5.39%20Brexit_v06WEB.pdf)



# Committee on the Future Relationship with the European Union

House of Commons, London, SW1A 0AA

Email: [freucom@parliament.uk](mailto:freucom@parliament.uk) Website: <https://committees.parliament.uk/committee/366/committee-on-the-future-relationship-with-the-european-union/>

23 July 2020

Councillor James Jamieson  
Chair  
Local Government Association

Dear Councillor Jamieson,

The House of Commons Committee on the Future Relationship with the European Union is inquiring into the progress of the negotiations between the UK and the EU. Under normal circumstances, the Committee holds regular oral evidence sessions in Westminster. However, measures to prevent the spread of the coronavirus make this difficult.

The Committee wishes to gather as much evidence as possible to inform its deliberations and I am writing to you to ask whether you would be willing to help us with our work by making a written submission. We welcome general responses to our [call for evidence](#), which was published on 4 March. We also hope that you would be willing to answer some of the more specific questions set out below on issues that fall within your area of expertise. Submissions need not address every bullet point and can include other matters that you think are relevant to the negotiations and should be drawn to the attention of the Committee.

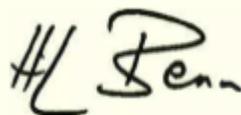
- What are English local and regional authorities' key priorities in the negotiations between the UK and the EU? How do these priorities vary between different parts of the country? Has the Covid-19 pandemic changed any of these priorities?
- To what extent do different English local and regional authorities' priorities align with the negotiating aims set out by the UK Government? What are the areas of greatest disagreement?
- To what extent did the UK Government consult English local and regional authorities before publishing its negotiating mandate? Were any amendments made as a result? Have they contributed to, or had the opportunity to comment on, any UK draft legal texts?
- To what extent has the UK Government kept English local and regional authorities informed of developments in the future relationship negotiations? Have they found this satisfactory? If not, what improved means would you propose?
- What would be the possible consequences for English local and regional authorities and the areas they administer of a deal which does not meet their priorities? How do these possible consequences vary between different parts of the country? To what extent do English local and regional authorities have the power and resources to address any resulting social or economic impact on their area?
- Is it clear at which level of government powers previously exercised by EU bodies will now sit? Does the end of EU competency over many areas of policy represent an opportunity for further devolution to English regions? If so, which areas of policy and which regions would be most suitable? Are you aware of any such proposals made by English local and regional authorities?
- What are English local and regional authorities' key priorities for the Shared Prosperity Fund? How do these priorities vary between different parts of the country? Has the Covid-19 pandemic altered these priorities? On what basis should funds be allocated? To what extent should any formula account for the differing effects of leaving the EU on each

region? To what extent have English local and regional authorities been consulted by the Government about the design of the fund?

- What guidance has UK Government given English local and regional authorities as to the steps that will need to be taken to prepare for the end of the Transition Period, for example: additional infrastructure or staff? What areas remain unclear? What further steps are likely to be needed to implement the Government's new border operating model? Which level of government is responsible for taking these steps?
- What effect has the Covid-19 pandemic had on English local and regional authorities' preparations for the end of the Transition Period? What has been done and what still needs to be done? What is a reasonable timetable for these steps to be taken?
- What steps have English local and regional authorities taken to prepare businesses and civil society for the end of the Transition Period? Has there been any coordination with the UK Government about what practical changes businesses will need to make? Do SMEs face any additional challenges?
- What opportunities does leaving the Transition Period present for English local and regional authorities and the areas they administer? What steps are English local and regional authorities taking to exploit these opportunities?
- What might be the economic and social consequences for English local and regional authorities and the areas they administer if no future relationship with the EU is agreed before the end of the Transition Period? How might these consequences vary between different parts of the country? What are English local and regional authorities doing to prepare for this eventuality?

The Committee staff will be happy to discuss the inquiry, any issues raised, or the process for submitting written evidence. You can contact them at [freucom@parliament.uk](mailto:freucom@parliament.uk).

Yours,

A handwritten signature in black ink, appearing to read 'H/ Benn'.

**Hilary Benn**  
**Chair of the Committee**