

## Introduction

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales. The three national park authorities and the three fire and rescue authorities are associate members.
2. It seeks to provide representation to local authorities within an emerging policy framework that satisfies priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve.
3. WLGA welcomes the opportunity to comment on the inquiry by the External Affairs and Additional Legislation Committee into the preparedness of the Welsh Government in relation to Brexit.
4. Comments on each of the questions listed in terms of reference for the inquiry are provided below.

**What are the main issues facing your sector as a result of the UK's withdrawal from the European Union, and how should the Welsh Government respond to these?**

5. The main issues for local government fall under four main headings – legislative, policy, financial and local economic impact. Local government implements much of the legislation derived from EU law, operates within EU-wide regulatory and policy frameworks and accesses funding under a range of

EU programmes. Changes in all these areas will impact on local authorities directly, while there will be indirect impacts on local government services as Brexit affects local economic conditions.

6. Under the EU Withdrawal Bill, all existing EU legislation will be copied across into domestic UK law. The UK Parliament can then "amend, repeal and improve" the laws as necessary. However, there are two complicating and related factors. First, large parts of the legislation will no longer work because they refer to EU institutions and arrangements (e.g. the requirement to advertise tenders in the Official Journal of the EU). Secondly, there are proposals in the Bill for UK Ministers to be able to amend legislation without full Parliamentary scrutiny (so-called Henry VIII powers). This is controversial in itself but doubly so from a Welsh Perspective as a significant part of the legislation is in areas that are devolved. This has led to accusations from the devolved nations of a 'power grab' from Westminster.
7. Important **legislative and policy frameworks** that currently exist at an EU level that will need to be replaced by equivalent UK and/or Wales frameworks include:
  - Competition Policy and State Aid
  - Employment and Workforce policies
  - Regulatory services
  - Procurement
  - Environment, Waste, Transport and Planning
  - Agriculture and Rural Development
  - Regional Economic Development.
8. It is vital that local authorities are involved in, and able to influence, changes to legislation – wherever changes could impact on local authority services – it

is not 'simply' a question of Welsh Government having a role. This will involve working with the UK Government or the Welsh Government, depending on how constitutional issues surrounding any amendments to such legislation/frameworks are resolved. WLGA is working closely with LGA, COSLA and NILGA to ensure that local government's views are taken into account at a UK level. Where legislation and any related frameworks fall within devolved areas of responsibility, WLGA want to ensure the views of Welsh local government considered and taken on board. This is essential as local authorities will be responsible for delivering and implementing most of the legislation. As a result, we wish to see all relevant Welsh Government policy departments fully engaging with local government as they develop new arrangements regarding legislative arrangements post Brexit across all the areas listed above.

9. On the issue of funding, there are two primary risks: loss or reduction of grant funding and a further squeeze on public sector funding. A range of assurances have been given by the UK Treasury regarding **grant funding** for projects up until 2020. However, beyond that the position is currently unclear. Welsh Government has called on UK Government to honour pledges made before the referendum that Wales would not lose any funding as a result of leaving the EU. It has argued that (i) the level of funding for Wales should be no less than if the UK had remained and (ii) as with EU funding, this should be in addition to the Block Grant Wales receives under the Barnett formula, recognising the higher level of need. WLGA has supported Welsh Government in arguing that any successor funding to replace EU funding should be devolved to and managed within Wales. The UK Government has proposed a 'Shared Prosperity Fund' for the UK as a whole but details of how this would operate are not clear at present.

10. The wider concern, about **public finances**, relates to the possibility of a negative impact of Brexit on the UK economy leading to lower tax receipts and higher benefit payments. Coming on top of several years of austerity this additional squeeze on the Welsh Block Grant would see further reductions in funding for local government.
11. In relation to the **wider local economic impact**, WLGA undertook a survey of local authorities to find out their views. Particular concerns were raised in relation to agriculture, manufacturing and those services with high dependency on migrant labour (e.g. tourism, hospitality, care sector, construction). The fear of losing local jobs as a result of businesses closing or relocating to ensure access to the Single Market was raised by a number of authorities. There would be knock-on effects of any business closures for other local service and supply companies. A general downturn in local economies tends to add to service pressures for local authorities in areas such as housing/homelessness, substance misuse, domestic violence, community safety etc. A combination of tightening budgets and increased demand for services would make it increasingly difficult for local authorities to sustain discretionary services.
12. It is difficult to say how Welsh Government should respond to these issues as many of them are beyond its direct control. Certainly, involving local authorities in discussions on policy and legislation will be vital (see further comments on this below) – but there is no guarantee of being able to influence the UK Government’s position on many fronts. Likewise, local government would want to input to any decisions on a replacement for EU funding and would argue for further devolution from Welsh Government down to the regions. However, the scope to do this may be limited if a replacement Fund is established and operated on a UK-wide basis. As a result, it is of the utmost importance that the Welsh Government recognises and utilises all key

partners' direct links with UK counterparts as this enables many partners to influence key Whitehall Departments directly. This includes Welsh local government, higher and further education, farming unions, environmental organisations and Welsh private and third sector organisations such as the CBI, FSB and the WCVA. We would strongly recommend that the Welsh Government fully utilises the collective expertise across these Welsh organisations in all its planning for Brexit. It is also necessary that the Welsh Government fully recognises and utilises all key partners' direct links with counterparts in Brussels. For local government, our involvement in the EU Committee of the Regions and in key lobbying organisations such as the CEMR provide us with opportunities to directly influence developments.

13. On the local economy front, closer joint working between Welsh Government and local authorities collaborating at a regional level would help to ensure integrated support for local businesses. However, some of the forces determining decisions of major companies will be operating at an international level at head quarter offices, making it difficult to have an influence no matter how well co-ordinated things are within Wales.
14. The nature of withdrawal (hard or soft) will have a bearing on how each of these plays out. For example, any trade deal ultimately negotiated with the EU will determine the extent to which the UK needs to continue to comply with EU standards and regulations. Ways will have to be found to influence standards/regulations as they evolve in the future. During any transition period that may mean working via the EU Committee of the Regions while, looking ahead, working with Continental local authority colleagues through links on other bodies such as the CEMR (the Council of European Municipalities and Regions) could have an important role to play.

15. Operationally, too, any decisions on Brexit that impact on the free movement of labour could affect local authorities, either directly or through third party arrangements. The numbers of direct employees who are EU nationals are believed to be relatively small. However, there are some areas, locations and third-party considerations where this may be more of an issue. Further research is needed to help understand the scale of any problem.

**What advice, support, or assistance have you received from the Welsh Government to date in preparation for Brexit?**

16. There are a number of ways that the Welsh Government has involved the local authority sector in preparing for Brexit. Amongst the most significant are the following:

- WLGA involvement on the EU Advisory Group established by the First Minister and chaired by Mark Drakeford (Cllr Rob Stewart is the WLGA Spokesperson and our representative on the group)
- Publication of a series of papers setting out the Welsh Government's position – on devolution matters, free movement of people and the White Paper developed jointly with Plaid Cymru, setting out the main issues for Wales as the UK moves to leave the EU
- A Roundtable and series of working groups looking at the likely effects of Brexit in the Environment and Rural Affairs sector and considering different exit scenarios
- A number of formal and informal discussions with WEFO, WLGA and the Regional Engagement Teams to maximise all the opportunities under the current EU Structural Fund Programmes and to consider the focus of future arrangements and approaches around regional investments.

17. The Advisory Group has been useful in terms of receiving an update on discussions between the Welsh and UK governments. WLGA has been given

the opportunity to present the findings of its survey of local authorities to the group. This demonstrates a willingness on the part of Welsh Government to enable members of the group to feed in ideas and views as part of a two-way exchange. This type of interaction should inform Welsh Government's discussions with UK Government. There is no way of knowing, though, how far views expressed influence Welsh Government and, then, how far Welsh Government is able to influence the position the UK Government takes into negotiations with the EU.

18. The Advisory Group has also been involved in discussions that have fed into the publications referred to in para. 15 above. However, there has been no specific consultation/opportunity to comment on draft versions of the documents – they have been issued to group members in final form shortly before their public release. Future publications should be shared in draft with members well in advance of publication to enable members to comment.
19. The engagement in the Environment and Rural Affairs sector, led by the Cabinet Secretary Lesley Griffiths, has been very inclusive. It has provided an opportunity for diverse interests across the sector to come together to share intelligence, discuss the threats and opportunities faced and consider potential steps that can be taken in preparation for Brexit. It would be good to see that level of engagement replicated in other sectors – e.g. around the economy, transport, skills.

**What financial considerations have arisen as a result of UK's withdrawal from the European Union and what should be done to prepare for these?**

20. As outlined above, there are two sets of financial consideration: the first related to grants and the second related to potential additional pressures on

the public sector settlements, linked to performance of the UK economy.

21. On the **grant** front WLGA has welcomed the proposal by UK Government to put funding in place to support regional development after the UK leaves the EU. However, WLGA is opposed to the concept of a Shared Prosperity Fund administered at the UK level. It believes that Wales' share of the funding should be allocated to Welsh Government in the first instance. Wales' share should reflect the same percentage of the UK total as it currently enjoys and there should be no move to 'Barnettise' the funding. The same should apply to Common Agricultural Policy payments received by Wales.
22. WLGA has also argued that, within a national context set by Welsh Government, decision-making and funding should be devolved down to the most appropriate level – in particular, building on the four regional partnerships that have been established: Cardiff Capital City Region; Swansea Bay City Region; Growing Mid Wales; and the North Wales Economic Ambition Board. Once regional development plans have been agreed with Welsh Government and other partners the funding should be allocated to support implementation. In this way, there would no longer be a need for 'programmes' (at a UK or Wales level). These take a long time to be developed and then require a time-consuming and wasteful bidding process as bidders attempt to skew projects to fit programme criteria.
23. As well as the European Structural and Investment Funds, there are other funding programmes to consider. Programmes such as ERASMUS (+), HORIZON and LIFE have helped to support social, economic and environmental development across Wales. The ability to continue to participate in these funding programmes – and in EU inter-regional co-operation networks – will be important to local authorities. These programmes have brought benefits to local areas that contribute to shared Well-being Plan objectives of LAs and

their partners. There is also the issue of future access to the European Investment Bank which has been a source of investment in major capital projects supported by local authorities.

24. On the **wider financial front**, the pressures faced by local authorities are well understood. Any additional squeeze in the coming years would seriously undermine their ability to prevent the very sorts of economic, social and environmental problems services EU programmes have historically been introduced to address. In that sense, and in line with the Well-being of Future Generations Act, prevention is better than cure. This would suggest the need for some flexibility to enable regional funding to support delivery of some mainstream provision where this is struggling to deliver an adequate service. For example, maintenance of the highway network is vital to the successful operation of local businesses. Arguably, it would be better to enable expenditure on upgrading highways to a high standard than to rule this out but then offer financial support to businesses may be struggling precisely because of increased costs and lost business due to congestion and delays on the highway network.
25. Once again, though, it is not yet clear how much flexibility there will be to design a funding regime to meet Wales' needs or whether any replacement funding arrangements / programmes will be imposed by UK Government.

**What advice or support would you like to see from the Welsh Government that will help you and your sector to prepare for Brexit?**

26. This question has largely been answered in the above sections. Essentially:

- good two-way communications, ensuring local government is kept well-informed but also able to feed in its views on matters of policy, legislation and funding at an early stage
- the ability to comment on draft publications, to offer a local government perspective, before they are released
- access to the arrangements similar to those in place for Environment and Rural Affairs in other key areas of activity such as the economy, skills and transport
- the ability to help inform proposals for successor regional policy and funding, minimising bureaucracy and maximising flexibility
- devolution of decision making powers over regional funding to the four regions, aligned to regional development plans agreed with Welsh Government
- joint working with local authorities collaborating at regional level to provide integrated economic development support for the local economy.