

<b>Governance &amp; Resources Scrutiny Commission</b> 14 <sup>th</sup> March 2017 <b>Implication of Brexit for Local Government</b>	Item No <b>6</b>
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### Outline

The process for exiting the European Union has now started in earnest with the passing of the second reading of 'The European Union (Notification of Withdrawal) Bill 2016-17'. But this is only the beginning of a long and complex process.

According to the House of Commons research paper, the Bill, 'once enacted, essentially represents Parliament's authorisation for the UK to begin the process of leaving the EU. This will be the first of many changes to the statute book that will be required to reflect the outcome of the June 2016 referendum. In December 2016, the Commons passed a resolution in favour of the 31 March 2017 deadline for triggering Article 50. The paper advises:

"Once notification is given, paragraph 3 of Article 50 provides that the EU Treaties will cease to apply on either the date of entry into force of a withdrawal agreement or two years after the withdrawal is given, unless all Member States agree to extend the two-year period. This feature of Article 50 has a direct bearing on the effect of this Bill. If notification cannot be revoked giving notice will automatically result in the UK leaving the EU after two years, whether or not an agreement is reached on the terms for doing so – unless the other EU Member States unanimously agree to extend the negotiating period."

The Brexit White Paper setting out the Government's negotiating strategy has been published and sets out the Government's priorities.

City experts are predicting a slowdown in growth in 2017 due to Brexit uncertainty. Like most forecasters, including the Bank of England, the predication is the UK economy will slow modestly, which is likely to result in less robust labour market conditions and modestly slower house price growth. Following the referendum the National Housing Federation advised associations to stress-test their business plans against a potential fall in property prices and tighter lending conditions.

There is a huge amount at stake for local and devolved government – from the position of EU citizens working in many sectors of the local economy, to how procurement will be framed in the future, from how services will be treated in any bilateral trade deals post brexit to how will any gaps in EU funding be met.

Some view the EU referendum result as signaling a need to rethink all governance and strengthen local powers. Meanwhile, the dominant feature of Brexit for local government is still huge uncertainty.

The local government associations are calling for constitutional talks with the government to ensure key principles underpin any new settlement:

- establishing a principle of subsidiarity, which would ensure that power is transferred to the level of government closest to the people
- securing and enhancing the legal position of local government. This would mean a defined set of powers and responsibilities which set out what local government should support at the local level so that public services can be designed around local need
- providing greater fiscal autonomy for local government.
- The principle of subsidiarity is, of course, particularly important when EU laws are repatriated, and local government needs to be clear that this is recognised during the debates on the Great Repeal Act.

The principle of subsidiarity should be understood as a basis for all good government. Clarifying and strengthening the legal position of local government post brexit must be critical if there isn't going to be chaos over who is responsible for what. Providing greater fiscal autonomy is more necessary than ever when local government is the key sector with business to grow the economy in a changing and uncertain landscape.

The Local Government Information Unit (LGIU), has published a report [Future Local: Seven possibilities for a local government story](#) calling for a more independent local government with clear powers, clear vision and a clear role in driving prosperity and ambition locally.

At this stage the prospects for local government is unclear and will be so for many months or even years, depending on how the negotiations and the economy progresses.

## **Action**

The Commission is requested to note the presentation and ask questions.