

WLGA Briefing

Collating Local Impact of Brexit, Spring 2017- Responses

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Collating Local Impact of Brexit

To enable the WLGA to reflect the views of our members, and to build the intelligence base we need for our Brexit work, we are collating information on the local impact of Brexit across our 22 local authorities.

Our [first call for evidence](#) was published in March (sent to Leaders, Chief Executives, Directors of Regeneration and European Officers), to enable us to contribute to the short- term actions agreed by the UK Local Government Associations in preparation to lobby the UK Government. Future calls (which will take place as the need arises) are likely to become more specific as more detail emerges from the Brexit negotiations. The first call was broad, covering:

- Issues with current EU programmes
- Amount of EU funding currently being received
- Examples of main benefits of EU funds for local areas
- Views on impact of loss of funding & how to replace current arrangements
- Likely impact of Brexit local economies / companies
- Likely impact on local labour market
- State Aid – views on future arrangements
- Impact of Brexit on Well-being Assessments / Plans
- Impact on public services
- Legislative change priorities

We received responses from **18 local authorities**. The responses have been analysed by issue, and presented in 7 brief papers, circulated with this summary report. We have also analysed and presented the responses by region and can make this breakdown available on request.

The papers circulated with this briefing cover:

1. Impact on funding

We asked local authorities how much EU funding their areas are benefiting from in the current EU programming period (2014-2020), including from Structural Funds, CAP Pillars 1&2, Territorial Cooperation, Horizon 2020, Erasmus+, etc.

It was challenging for local authorities to answer this question in relation to some of the funds, due to a lack of relevant data at the local and regional level. Particularly, in relation to the Common Agriculture Policy and some of the thematic EU funds, it was a challenge to report EU funding made available to the different sectors within LA areas (as EU and its beneficiaries are so diverse, with no central source of information). However, the responses received have given us an insight in to the scale of EU funding coming into Wales.

Local authorities identified the EU Structural Funds (ERDF & ESF), CAP Pillars 1&2, research & development funding (e.g. Horizon 2020) as the key sources of EU funding coming into their areas.

All local authorities that responded to our call for evidence reported that for the examples given, projects would not have progressed (or progressed to the same level) without EU funding.

2. Impact on local economies

The economic consequences of the UK leaving the EU will play out at local level. Whilst there are presently too many unknowns to predict what might happen with any degree of certainty, it is important to think through likely implications of various scenarios. WLGA asked local authorities about the impact of Brexit for particular economic sectors, major companies and the labour market in their local areas.

Region- specific issues were raised and are covered in this paper. At the same time, there was considerable agreement between Welsh local authorities on key challenges facing economic development and opportunities that may arise (although fewer in number).

Agriculture was identified as a sector facing major, direct risks from Brexit (primarily associated with the potential loss of competitiveness, trading opportunities and funding), but also some opportunities for policies that recognise the vital role played by Wales' countryside and natural resources in providing public goods and 'ecosystem services.'

Agriculture, hospitality, health, care, construction, Higher-Education and knowledge based industries were identified as areas at risk from restricted labour movement.

Manufacturing was identified as particularly vulnerable to the outcome of forthcoming trade negotiations, with local authorities particularly fearing reduction in competitiveness for local companies.

Local authorities see **Financial services** as vulnerable and aired concerns about the sector's future in the UK.

Tourism could benefit from the low pound but is vulnerable to people taking fewer domestic breaks. However, this was identified as only a short-term benefit.

Fears were also expressed over **Public sector employment** if the economy falters; **loss of support for SMEs** to grow and reach their potential; and loss of **EU support for training**.

3. Impact on local labour markets

Local authorities were asked if there are likely to be significant changes to the labour market in their local areas as a result of Brexit and about risks/opportunities associated with these changes.

In the responses received, there were consistent messages on a number of issues including:

- The risk of a rise of unemployment
- Dependency on migrant labour in certain sectors and specific companies
- Potential pressure (upwards) on wage rates (to deal with labour shortages)
- Opportunities to target local training
- Lower levels of funding to support training

4. Impact on public services

At this stage, it is difficult to say with any certainty how public services will be affected by Brexit. However, local authorities identified several potential areas of impact (positive and negative), including:

- Potential devolution of powers and funding
- Potential loss of funding from Brussels
- Concerns about reduction in the block grant
- Potential loss of locally raised income (if an increase in business failures associated with Brexit adversely affects income from business rates)
- Changes in legislation and regulations that apply to local authorities/other public bodies
- Potential skills and labour shortages
- Inflationary pressures
- Community cohesion concerns

5. Impact on state aid

The general feedback from respondents was that it is too early to say anything definitive on how the laws governing state aid may change, if at all. However, local authorities' comments, summarised in the paper, note that **Brexit could be an opportunity to review state aid regulations in favour of a more flexible approach**, whilst maintaining some form of ongoing state aid regime. However, local authorities also recognised that having a set of State Aid regulations that differ from EU regulations would be a potential cause of confusion/bureaucracy.

The EU 27 negotiating guidelines make clear that there should be no attempt to modify state aid laws if the UK is to be allowed access to the Single Market, and some local authorities commented that access to the single market would outweigh advantages from relaxing state aid rules.

6. Implications relating to Local Well-being Plans under the Well-being of Future Generations Act

The Well-being of Future Generations Act requires Public Service Boards (PSBs) in all parts of Wales to undertake a Well-being assessment and then to develop a Well-Being Plan. These Plans are expected to take a holistic approach to secure the sustainable, long term development of their economy, society, environment and culture. Brexit will need to be considered on all four fronts.

WLGA asked local authorities how they are taking account of the potential impact of Brexit in the development of their Local Well-being Plans. Many noted that because of the uncertainties surrounding Brexit, **it has not been possible to identify potential implications at this stage**. Several said that **Brexit has been identified as a risk to be monitored as events unfold**. Some LAs highlighted that **the ability to achieve their well-being goals could be undermined if EU funds are lost and not replaced**.

Examples from individual councils are included in the paper.

7. Legislation

The LGA is focusing on 10 areas as priorities for local government for consideration in any review of the legal framework post- Brexit:

- Procurement
- State Aid
- Environment
- Waste
- Regulatory Services
- Transport

- Employment
- Planning
- Local Government Finance (VAT)
- Data

For each, LGA is developing the following:

- an overview of the legal base
- an outline of local ambitions frustrated by the current legal framework
- proposals for elements local government might wish to keep
- potential recommendations where local government might seek change, to include potential advantages of a more flexible local regime

The WLGA will influence the LGA's work in this area, using evidence collected from Welsh local authorities. This work will enable local government to input into the discussions regarding the repatriation of powers and what new frameworks need to be developed and adopted, and at which level.

Most Welsh LAs agreed that the areas on the LGA's list should be prioritised. Many LAs also proposed **other key areas for local government to prioritise at this stage**, which are set out in the paper.

Next steps:

WLGA will use the information gathered from the [Spring 2017 Collating Local Impact of Brexit Survey](#) (and future calls for evidence) to:

At UK level

1. Influence key LGA work on:

- EU laws: priority areas for review
- Key EU funding programmes relevant to local government
- Future of funding currently sourced from the EU

This work will form the basis of local government input into the discussions on the repatriation of powers and what new frameworks need to be developed and adopted (and at which level).

2. Inform future meetings with DEXEU

Prior to the election, previous DEXEU Ministers committed to a series of Ministerial meetings with the 4 UK local government associations. Post-election, with some new Ministers in place, we'll be looking to revive "our seat around the table" by re-starting these meeting as soon as possible. Evidence collected from Welsh LAs will inform our positions in these meetings.

At Wales level

3. Influence Welsh Government Brexit work

Through the main formal avenues of:

- Responding to consultations (e.g. the upcoming consultation on future Regional Policy)
- Our representation on the First Minister's EU Advisory Group
- Our representation on the Agriculture, rural and environment 'roundtable' and working groups (and similar initiatives in other policy areas which can serve as opportunities to engage and input)

4. Influence National Assembly for Wales Brexit work

Through:

- Responding to Brexit related consultations
 - Meetings with relevant Committees (particularly the External Affairs and Additional Legislation Committee)
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1. Brexit questionnaire responses: Impact on funding

How much EU funding is your local authority area benefiting from in the current EU programming period (2014-2020) (Structural Funds; CAP Pillar 1 & 2; Territorial Cooperation; HORIZON 2020; ERASMUS+ etc)?

It has been challenging for local authorities to complete this question. Reporting details of funding where the local authority is the project sponsor has in many cases been possible. However, it's proved challenging to report EU funding which has been made available to the different sectors within each local authority area. EU funding and its beneficiaries are diverse in nature and details are not available from a central source, as to the funding received by academic institutions, businesses, Welsh Government, etc.

Also during the 2014-2020 programme, a greater number of more strategic projects have been approved with local beneficiaries. In many cases, Welsh Government has been the project sponsor for these pan-Wales projects.

Despite these challenges, the survey has enabled us to gain an insight into the scale of EU funding going to Wales.

CAP Pillar 1 – In Mid Wales alone, £124m per annum (2014 figures) is estimated to be received via Common Agriculture Policy (CAP) funding. Gwynedd reports levels of £35.2m per annum, Anglesey £43m, so if this level of funding is extrapolated across Wales it would not seem unreasonable to suggest that a minimum of over £300m per annum EU CAP funding is coming into Wales.

CAP Pillar 2 – Rural Development Funding is available through competitive grant schemes and to fund the LEADER measure. Each Local Action Group has a minimum funding of £0.5m, with an additional allocation based on population and sparsity, resulting in a LEADER budget of £5.1million in Powys to under a £1million in Newport. Figures are generally unavailable for the other elements of RDP, as the recipients range from farmers, rural businesses, tourism businesses, community organisations and forestry businesses.

Research & Development – The Higher Education sector in Wales benefits from access to R&D funding through programmes such as Horizon 2020. Figures are not available

from this survey to be able to quantify the overall level of funding. It is expected that this funding will still be available post Brexit. Gwynedd CC reported that in 2016 alone, Bangor University received £11.6M from various European sources, including 21 projects under Horizon 2020 which equated to approximately half of the institution's research income.

ESIF covering ERDF and ESF funding – half of the authorities reported receipt of ESF funding totalling close to £30m. Local authorities are working together to nominate a lead authority to act as project sponsor on behalf of the region; an example would be Blaenau Gwent CBC as lead on the Inspire to Work and Inspire to Achieve projects in SE Wales. ERDF funding to date focuses on support to specific sectors such as Tourism, Sites and Premises. Funding via the Building for the Futures EU funded project is anticipated by many local authorities, amounting to several £million.

Please give some examples of the main interventions and activities currently supported by EU Funds in your local area? Would any of these have progressed without EU funding?

All the local authorities that responded reported that in all the examples given, projects would not have progressed (or progressed at the same level) without EU funding. Evidence that EU funding is additional to existing levels of funding is required as part of the application process.

2. Brexit questionnaire responses: Impact on local economies

Introduction

The economic consequences of the UK coming out of the EU will play out at a local level. There are too many unknowns at present to be able to predict what might happen with any degree of certainty. However, it is important to think through the likely implications of various alternative scenarios. This will help with forward planning. When more decisions are taken and a clearer picture starts to emerge as to how Brexit is going to be implemented, we will have already considered the potential impacts. It will also help in terms of identifying steps to deal with adverse consequences or capitalise on opportunities.

The WLGA questionnaire on Brexit circulated to local authorities asked for their views on how their local economy might be affected. There was considerable agreement on key challenges that economic development is likely to face and – fewer in number – the opportunities that may arise. These are summarised below.

SECTORAL IMPACTS

Agriculture has been identified as a sector facing major, direct risks from Brexit, primarily associated with the potential loss of competitiveness, trading opportunities

and funding. Food production companies and the supply chain they are operating in and servicing, are industries that would also suffer as a consequence. Lamb, beef and shellfish are believed to be particularly vulnerable, although there may be scope to win market share against Irish beef exports. Welsh lamb and Welsh beef both currently have Protected Geographic Indicator (PGI) status, which could be lost once the UK withdraws from the EU.

Future free trade agreements negotiated by the UK with non-EU countries, where there might be lower welfare standards, could result in increased competition *domestically* from cheap imported foods. Rising food prices resulting from a low pound could put significant pressure on the UK Government to strike some deals in this respect.

If there is no equivalent replacement for the current direct payments to farmers under the Common Agricultural Policy, this would deal a serious blow to the farming community. On average, 80% of Welsh farm income is reported as coming from EU payments. In 2015/16, around half of cattle and sheep (lowland) farms and around 40% of dairy farms in Wales either made a loss or would have done so without EU support. The situation is even worse in Less Favoured Areas such as upland farms, which tend to be smaller and less productive. Should any future policy base payments solely on productivity, it would severely disadvantage Welsh farmers. Farming makes a significant contribution to the social/cultural, economic and environmental status of a range of local economies across Wales. The loss of farm-related businesses would therefore have a significant impact in these areas.

On a more positive note, it was felt there might be opportunities for policies that recognise the vital role played by Wales' **countryside and natural resources** in providing public goods and 'ecosystems services'. Over and above food production, these include recreational activities, biodiversity, clean water flood management, carbon storage, energy generation etc.

Agriculture relies heavily on **migrant workers** (often seasonal) and this labour supply has become increasingly important given the ageing indigenous workforce. Any restrictions on the movement of labour would present another serious challenge to the industry.

Hospitality, health, care, construction, Higher Education and knowledge-based industries were also highlighted in LA responses as being dependent, in differing ways, on the ability to draw labour internationally. All these sectors of the economy could suffer if the UK/Wales appear less welcoming to in-migrants and/or restrictions are placed on movement. In construction, 8% of the UK workforce are (Continental) EU nationals. There are major construction projects that feature, or could feature, in the development plans of each the four regions (e.g. rail electrification, Metros in North East and South Wales, energy projects including tidal lagoons, marine energy and nuclear, highway construction, new housing, and space for offices and innovation activity).

Inability to recruit labour for construction projects would impact on timescales and could result in cost increases. The longer sterling stays low, the less attractive it is for

migrant workers to come to the UK and send money home, unless wages are increased to compensate, again increasing project costs. This situation could create more employment opportunities for local residents. However, this may require training (for which less funding might be available in future) and this would introduce additional costs and time delays for projects.

On the other hand, it was noted that if current levels of investment in capital projects supported by EU funding are no longer maintained this could *adversely* affect workloads for some companies in the construction sector.

As well as the potential for increasing labour costs, there are other cost pressures to consider. As oil, petroleum and diesel are purchased in US dollars, the fall in sterling against the dollar is affecting prices and causing **inflationary pressure for all sectors**, whether they engage in import/export or not.

Manufacturing is particularly vulnerable to the outcome of forthcoming trade negotiations. The primary fear amongst local authorities is that tariff and non-tariff barriers will lead to a reduction in local companies' competitiveness in Continental European markets. Moreover, *growth* sectors (such as digital, health innovation, financial and professional services and advanced manufacturing) are the ones most engaged with, and reliant upon, international markets.

At present, the low value of the pound is benefiting exports by UK-based manufacturing companies. It could also compensate in future for some of the cost increases associated with tariffs. However, today's exchange rate is by no means guaranteed into the future. Equally, the current uplift in export sales could come to an end if there were to be a downturn in the economies of the overseas markets involved. For manufacturers who depend heavily on imported content, of course, the low pound is *increasing* their cost base.

The **automotive sector** is represented in several local economies across Wales and it is an important source of exports. To date this industry appears to have been afforded a high priority and a level of protection by the UK Government. For the time being, this may help to hold off any reassessment of investment plans by the companies involved.

More generally, any manufacturing companies in an industry where the supply chain is highly integrated with other EU countries could face challenges. If tariff and non-tariff barriers arise that impede the movement of component parts along international production lines, this could lead to reconfiguration and reallocation of investment. Fears were expressed by local authorities that some companies might relocate operations from Wales to other EU Member States, if necessary, to retain access to the EU market. This was viewed as a particular risk where these companies are branch plants with headquarters outside Wales/UK. In some cases, these companies are major local employers and any relocation would have a major impact on local economies.

It is important to note that some of the risks outlined above may fail to materialise. For example, the UK Government might succeed in negotiating a bespoke free trade

deal which retains access to the EU market place. The situation then would not be anywhere near as bleak. However, the point needs to be made that this would simply amount to 'preserving where we are' rather than creating opportunities that have not been available whilst the UK is a member of the EU. There could be new trade deals negotiated by the UK that open markets in non-EU countries but (i) these would take time to negotiate (ii) they would generally not be of the same scale/value as the EU market and (iii) the UK would most likely be restricted in what it can do by any trade deal it might have been able to negotiate with the EU. Ultimately, it will be extremely important to the EU that it can demonstrate that the UK is no better off (or is actually worse off) than if it had remained a Member.

On the service side, a number of areas in Wales (especially those with larger town centres with office sectors) have been targeting **financial services** as a potential area of growth over recent years. A number of concerns were aired about the vulnerability of this sector, given the possibility that the core of the business could start to move from the UK to be inside the EU. Any negotiations to protect London's financial centre could be at the expense of other parts of the UK with aspirations to attract and retain employment in the sector. Key issues will be 'passporting' (so that UK regulated firms can still sell to markets in the EU without having to seek authorisation) and the ability to bring in the right, skilled workforce from anywhere in the world.

Tourism could benefit from more overseas visitors if the pound remains low, but equally, if overseas holidays are more expensive, *fewer* short domestic breaks might be taken as households save up for a holiday abroad. Also, as noted above, tourism and hospitality could suffer if a substantial part of the workforce that they depend on is no longer free to come and work in Wales.

Inward investment into Wales has continued to be an important source of job creation over recent years. Open access to the EU market will have been a significant factor for most of those who have made investments in Wales from non-EU countries. This raises questions over how secure those existing operations are and whether there will be the same level of interest in future.

For **SMEs**, there have been a range of business support mechanisms funded under EU programmes. There is currently no guarantee that these support mechanisms will be funded via UK and/or Welsh Government when the current programmes end in 2020. There is therefore a danger that, without support, some smaller businesses will not be able to realise their true growth potential or, worse, will struggle to maintain their current size. Historically, universities have acted as incubators for new business growth but this role could be undermined if EU sources of funding to undertake this work diminish or disappear.

Many SMEs are no doubt looking hopefully at the prospect of a relaxation of employment laws and 'red tape' involved in employing staff, enabling greater flexibility. However, *some* rules around employment will have to be in place so companies are unlikely to see any dramatic difference. Also, if any changes are

proposed that are opposed by the EU, this could impact on any trade deal being negotiated (e.g. if they were seen to give an unfair economic advantage).

A stock of skilled labour and access to **training** to ensure businesses can meet their demand for labour is a vitally important consideration for indigenous and inward investors of all sizes. Over recent years, much training across the range of industrial and business sectors has been undertaken using EU funding (ESF). This must now be considered at risk and dependent on whatever arrangements are put in place after the current EU programmes come to an end.

The loss of EU funding could also result in there being fewer opportunities for locally-determined and locally-led regeneration, in areas whose local economies don't generally benefit from mainstream economic growth.

On the issue of **procurement**, the UK Government had a major influence on the latest EU legislation. Therefore, it may be unlikely to be in a rush to introduce any major changes (i) because current arrangements are felt to be appropriate (ii) any significant changes could conflict with the terms of any free trade agreement that is under negotiation and (iii) there are likely to be higher priority areas where new arrangements *have* to be developed immediately (e.g. because existing arrangements invoke EU institutions and these will no longer be applicable for the UK).

Finally, **public sector** employment accounts for a relatively high percentage of total employment in many local economies across Wales. The public sector has already been subjected to an ongoing squeeze due to austerity measures at a UK level. Taking a pessimistic view, Brexit could result in a range of company contractions, failures and relocations, leading to increasing unemployment and reducing levels of consumption. This would result in a reduced tax take from the corporate and household sectors and increased spending on benefits. Consequently, there would be less money available to allocate to Wales for non-devolved services (e.g. police) and via the annual block grant. The latter would place further pressure on devolved public sector bodies (e.g. local government, health service) to reduce levels of employment. Cutbacks in public services, which are often substantial employers in their own right in local economies would have a negative multiplier effect as local spending reduces, local businesses suffer reduced sales and lay off workers who, in turn, then spend less locally etc.

3. Brexit questionnaire responses: Impact on local labour markets

A separate briefing paper has looked at the potential impact of Brexit on local economies. This report looks at how some of the effects considered in the local economy report could influence the operation of local labour markets.

Recurring themes

In the responses received from local authorities, there were consistent messages on a number of issues as follows:

- The risk of a **rise of unemployment** was highlighted. The main developments that could lead to this include: companies relocating or reducing their UK-based operations; negative impact on farming sector having knock-on implications for related businesses that service and supply the sector; reduced tourism if the landscape is not managed; reduced public sector jobs if the economy overall suffers a downturn as a result of Brexit
- Recognition that the number of **migrants as a percentage of the population is very low** in most local authority areas (e.g. Torfaen reported fewer than 500 or under 0.5%, whilst Cardiff as one of the highest still reported only 4%, or 13,500)
- However, there are certain sectors of the labour market – and specific companies – where dependency on **migrant labour** is relatively high (e.g. health, care, agriculture, food production, hospitality, tourism, construction, some parts of engineering, higher education) and seasonal in some cases. These could suffer if there are restrictions on the free movement of labour
- Potential **pressure (upwards) on wage rates** – to deal with labour shortages (if migrants face barriers or existing migrants return to the Continent); to try and encourage local residents to fill (otherwise unattractive) vacancies; and in response to inflationary pressures generally arising from the low pound. This situation could be exacerbated if a low pound encourages some **skilled workers to seek contract work abroad** and bring their earnings home
- There may be opportunities to **target local training**, as appropriate, to enable locally unemployed and economically inactive residents to fill vacancies that emerge in 'vulnerable' sectors (seen as something for the Regional Skills Partnerships to address). Some of these jobs, whilst not highly paid, do provide the opportunity to enter the workforce and obtain work-life experience that can lead to other career opportunities
- However, there is also a risk of **lower levels of funding to support training** if EU programmes terminate and no equivalent funding is put in their place
- Concerns were expressed, in particular, about the ability to continue offering support to young people at risk of not being in education, employment or training (**NEETs**) – with short and long term implications
- The importance of **travel to work patterns** was acknowledged. Some LAs see a relatively high percentage of their labour force commuting to work in other areas. Even if they have relatively few companies 'at risk' in their own area, their residents could still be vulnerable if the workplaces they travel to are impacted negatively by Brexit.

4. Brexit questionnaire responses: Impact on public services

At this stage, it is difficult to say with any certainty how public services will be affected by Brexit. However, responses identified several potential areas of impact – positive and negative - as follows:

- **Potential devolution of powers and funding** – as part of the process of repatriating legislation and funding to the UK there is an opportunity to use the principle of subsidiarity to devolve beyond the devolved administrations. Where appropriate, powers and funding could be passed down to local government, providing greater freedom and flexibility to develop local solutions
- **Potential loss of funding from Brussels** and uncertainty over any replacement funding from UK Government. A range of services, activities and skilled workers are currently supported by EU funding and are therefore at risk – especially in relation to business support, skill training, rural development and third sector community support. Reduced funding for the Universities could lead to less research and development being undertaken. Over time, that could have a negative knock-on effect on a variety of sectors and the prospects for the economy as a whole
- **Concerns about reduction in the block grant** from UK Government to Welsh Government if economic growth is affected, resulting in further pressure on local government and other public sector funded bodies
- **Potential loss of locally raised income:** some concerns were expressed that any increase in business failures associated with Brexit could adversely affect income from business rates
- **Changes in legislation and regulations** that apply to local authorities and other public bodies. These are many and varied and range from those which influence the way public bodies operate (e.g. employment law) to support for businesses, enforcement activity, environmental protection, customs control etc. In some cases, changes could be made that improve current arrangements and tailor them more specifically to Wales' needs. However, there is also the possibility that some standards will come under pressure to be reviewed downwards to cut costs
- **Potential skills and labour shortages** in certain areas (e.g. health and social care; construction, Universities) if there are restrictions and/or increased costs associated with international migration and/or if the UK becomes seen by migrants as a less attractive destination. Some migrants may have concerns over social protection rights and the portability of benefits such as pensions if EU-wide rules no longer apply. Labour shortages will lead to upward pressure

on costs. Concerns were raised especially about the availability of both low skilled worked and highly skilled professionals to keep health and social care services running

- **Inflationary pressures** where specific imported goods and materials are being used and, more generally, if inflation increases due to wider macro-economic changes
 - **Community cohesion concerns** – potential for community safety issues to arise/develop relating to migrant workers/residents
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5. Brexit questionnaire responses: Impact on state aid

The general feedback from respondents was that it is too early to say anything definitive in relation to state aid and how, if at all, this might change.

Some of the comments received are summarised below:

- Brexit could be used as an opportunity to review state aid regulations – although the need for some form of ongoing state aid regime was accepted (a new body to oversee this may be needed)
- A more flexible approach to state aid may enable goals to be achieved in the face of any reduction in funding that is available (e.g. attempts to increase local procurement)
- We certainly need to avoid any *tightening* of state aid which would make it more difficult to offer support to business investment
- The EU27 negotiating guidelines make clear that there should be no attempt to modify state aid laws if the UK is to be allowed access to the Single Market
- If a set of State Aid regulations *were* to emerge that differed from EU regulations this would be a potential cause of confusion and add to bureaucracy
- The advantage of having access to the single market was seen as outweighing any advantage that might be gained from a relaxation of state aid
- Under current EU state aid rules, additional financial support can be offered to businesses based in areas with Assisted Areas status. However, this AA status (which currently benefits West Wales and the Valleys and parts of East Wales)

could be lost post-Brexit

- Block exemptions have been a positive element of the current state aid regime and should be considered as part of any new arrangements. They provide a simple and relatively quick way of obtaining EC approval for a range of aid measures that do not unduly distort competition
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6. Brexit questionnaire responses: Implications relating to Local Well-being Plans under the Well-being of Future Generations Act

The Well-being of Future Generations Act requires Public Service Boards (PSBs) in all parts of Wales to undertake a Well-being assessment and then to develop a Well-being Plan. These Plans are expected to take a holistic approach to secure the sustainable, long term development of their economy, society, environment and culture. Brexit will need to be considered on all four fronts.

Comments received from LAs were as follows:

- Many noted that because of the uncertainties surrounding Brexit, it has not been possible to identify potential implications at this stage
- In several cases, it was reported that Brexit has been identified as a risk, to be monitored as events unfold
- Cardiff established a multi-agency working group to identify the risks and opportunities facing the city. In March 2017, it published a report (<https://www.cardiffpartnership.co.uk/wp-content/uploads/ITEM-4-BREXIT-Cardiff-Full-Report.pdf>) which also set out some priority 'asks' or proposals to both the UK and the Welsh governments. These are designed to help the city prepare for, and respond to, Brexit
- Conwy and Denbighshire (a joint PSB) are working collectively with other stakeholders to collate financial data on how Brexit could impact on their area
- Blaenau Gwent intends to include a section on Brexit as part of a wider overview of strategic challenges facing the area in its Well-being assessment
- Some LAs highlighted that the ability to achieve their Well-being goals could be undermined if EU funds are lost and there is no equivalent replacement
- Looking ahead, PSBs may move to a more regional level of operation to reflect the increasing collaborative work on regional development. That may be a more appropriate level to address and respond to economic and environmental impacts of Brexit. Social, community and cultural implications and activity might

be more of a consideration at local authority level

- Welsh Government could help local authorities by including an assessment of the potential implications of Brexit in their own future trends analysis

7. Brexit questionnaire responses: Legislation

Introduction

The LGA is focusing on 10 areas as priorities for local government for consideration in any review of the legal framework post-Brexit and developing the following:

- an overview of the legal base
- an outline of local ambitions frustrated by the current legal framework
- proposals for elements local government might wish to keep
- potential recommendations where local government might seek change, to include potential advantages of a more flexible local regime.

This work will enable local government to input into the discussions post the Great Repeal Bill regarding the repatriation of powers, to include to which levels EU powers should be repatriated (UK / Devolved Nations / Regions / Local areas), and what Frameworks need to be developed and adopted and at which level.

It will be vital for Welsh local government to influence the LGA work in this area and work by the Welsh Government in relation to Devolved Matters.

The 10 areas identified by the LGA are as follows:

- Procurement
- State Aid
- Environment
- Waste
- Regulatory Services
- Transport
- Employment
- Planning
- Local Government Finance (VAT)
- Data

In the WLGA Collating Local Impact of Brexit Questionnaire, Spring 2017, we asked Welsh councils:

1. Do you agree that these 10 areas should be prioritised by local government in the legislative work required to plan for Brexit?
2. Are there any other key areas that local government should prioritise at this stage?

Welsh councils' response

From the (18) responses we received¹ to the Questionnaire, we can report that:

Half of Welsh councils (11)² agreed that the 10 areas identified by the LGA should be prioritised by local government in the legislative work required to plan for Brexit.

Of the 4 Welsh councils who did not give a clear yes in answer to this question, Cardiff's response said that the priority should be given to those areas that will have an immediate and financial impact on local authorities, noting that there are a number of areas where the full implication is not known or understood.

Caerphilly acknowledged that the LGA list covers relevant areas but should be considered in 'two strands', i.e. most/less important matters. Their response identified the areas of procurement, state aid, finance and data as 'perhaps less tangible or less significant in some cases' and asked if we should be 'less bogged down in these matters'. They also noted a preference for the term Public Protection Services rather than Regulatory Services.

Anglesey responded that they broadly feel that all key areas have been included in the LGA list, but that further clarification is required regarding what is included under the headings, as they are currently too general/undefined. Specifically, they asked where the areas of farming, marine, data protection and borders fit in to the LGA headings, and suggested that sub-headings should be developed. Neath Port Talbot also touched on this issue in their response, specifically in relation to the LGA's data heading. They noted that they interpret this heading to include data protection and information law more generally, and that this should be clearly stated.

3 councils³ did not respond to this specific question.

Other key areas that local government should prioritise at this stage

3 Welsh councils⁴ responded that there are no other key areas that local government should prioritise at this stage. Of these councils, Bridgend acknowledged that the list will need to be kept under review as the Brexit process moves forward.

4 councils⁵ did not respond to this specific question.

¹ Cardiff, Bridgend, Caerphilly, Newport, Blaenau Gwent, Torfaen, Monmouthshire, Pembrokeshire, Carmarthenshire, Neath Port Talbot, Ceredigion, Powys, Anglesey, Gwynedd, Conwy, Denbighshire, Flintshire, Wrexham

² Bridgend, Torfaen, Monmouthshire, NPT, Carmarthenshire, Pembrokeshire, Powys, Conwy, Flintshire, Gwynedd, Wrexham

³ Newport, Ceredigion, Denbighshire

⁴ Bridgend, Flintshire, Wrexham

⁵ Blaenau Gwent, Monmouthshire, Ceredigion, Denbighshire

Half of Welsh councils (11)⁶ proposed other key areas that local government should prioritise at this stage, although in some instances these will already be covered under the LGA 10 areas, and it is more a case of defining those headings than adding new ones.

The following areas were identified by more than one Welsh council:

Human resources and equality issues

Specifically:

- how employment rights (such as working time and equal pay) will be protected after the Great Repeal Bill (raised by Conwy and Pembrokeshire)
- how changes to employment regulations could have huge implications for industries and local businesses (raised by Carmarthenshire in relation to their farming industry and businesses associated with the agricultural and food industries)

Movement of people

Specifically:

- analysis of what changes in the movement of people will mean for both the delivery of local services in the 10 LGA priority areas and for local economies (raised by Cardiff)
- how changes to freedom of movement could impact on industries and local businesses (raised by Carmarthenshire in relation to their farming industry and businesses associated with the agricultural and food industries)

Economic development and regeneration

4 Welsh councils⁷ cited the area of economic development and regeneration as a key area for local government prioritisation. Specifically, Cardiff said that they would like to see 'understanding the economic impact' in priority areas for local government.

The following other areas were identified by Welsh councils as key areas for local government to prioritise at this stage:

- Rural and green infrastructure (the latter particularly in terms of the benefits to health and social issues) **(Caerphilly)**
- Business support (including farming) **(Caerphilly)**
- Training and skills (should be considered under the employment heading) **(Newport)**
- Data protection and information law **(NPT)**
- Relationship between UK Government and Devolved Administrations **(NPT)**
- Education **(Powys)**
- Health and social care **(Powys)**
- Flood defence, energy and climate change **(Conwy)**
- Health and safety **(Conwy)**

⁶ Cardiff, Caerphilly, Torfaen, Newport, Carmarthenshire, NPT, Pembrokeshire, Powys, Conwy, Gwynedd, Anglesey

⁷ Cardiff, Carmarthenshire, Powys, Conwy

- Welsh Language (**Anglesey**)
- Farming and agriculture (**Anglesey**)
- Marine/coastal management and protection (**Anglesey**)
- Border control (**Anglesey**)
- Welfare (**Gwynedd**)
- Potential changes in regulation across a wide range of service areas (**Gwynedd**)
- Data/modelling at local level to enable local authorities to judge potential impact of Brexit (**Gwynedd**)