

The impact of Brexit on English local government



DOI reference: 10.1080/13673882.2018.00001049

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Introduction

In June 2016, the United Kingdom (UK) voted to leave the European Union (EU) by a slight 52 per cent majority. This result, together with the ongoing negotiations on nature of the UK's withdrawal from the EU since, have brought significant uncertainty to many aspects of UK politics. This is also the case at the subnational level.

Much of the discussion on the subnational implications of Brexit has focused on Northern Ireland, Scotland and Wales. However, relatively little attention has

been paid to how Brexit affects the *local* level. This is despite the Brexit vote having an inherent territorial dimension, and that local authorities especially have a lot at stake in the UK's future relationship with the rest of the EU. This is particularly pertinent in England, which lacks its own devolved institutions and where attempts to devolve central government powers, mainly to city regions, have been patchy at best.

This article therefore highlights why Brexit matters to English local government. It then briefly picks out two issues to illustrate some of the uncertainties Brexit presents: the future of regional funding and the scope for local authorities to influence policy post-Brexit. The article concludes by arguing that a combination of a lack of capacity at the local level together with a perceived indifference to local concerns within central government is placing local authorities in a position of significant uncertainty.

Why does Brexit matter for local government?

Local government arguably represents one the most Europeanised parts of the British state. While EU policy may be made in Brussels, much of the on-the-ground implementation of that policy is done at the local level. Indeed, the English Local Government Association (LGA) estimates that local authorities are responsible for the implementing of around 70 per cent of the EU's legislative output. Furthermore, EU rules, such as on state aid and procurement, affect the way local services are commissioned and delivered.

In addition to 'downloading' EU policy and rules, the EU has also provided opportunities for local authorities to engage at the European level and 'upload' their policy preferences. EU membership also offers a 'framework' for local authorities to engage beyond their territorial limits, for example to promote economic investment in their areas, or to link up and cooperate with other local authorities abroad. Further opportunities are presented through the availability of EU funding, which local authorities have used to fund projects in their local areas.

However, Brexit also happens against a domestic backdrop of high centralisation.

By one measure, the UK is 31st on a ranking system of the local autonomy of 39 European countries (Committee of the Regions, 2015). While the highly

centralised nature of English local government has been the focus of much academic attention, it is also recognised by local authorities themselves. A recent ‘councillors commission’ report into local councillors’ perceptions found widespread dissatisfaction with the level of central government control over local authorities (Copus and Wall, 2017).

While there have been efforts to devolve powers locally, aimed primarily at English city-regions, these attempts are confined to a relatively small number of areas. This devolution agenda has also been criticised for being led from the top-down, lacking adequate consultation and citizen engagement, lacking policy ambition, and failing to give devolved areas the necessary resources (for example Ayres, Flinders and Sandford, 2018).

This centralisation is compounded by the financial situation of local authorities, who are highly dependent on central government grants. As a consequence of a sustained austerity programme, central government has been reducing the finance available to local government. Indeed, over the last five years, central government funding to English local authorities has reduced by £6.2 billion, a 32 per cent reduction (see Figure 1). Government policy also constrains local authorities’ ability to increase their own revenue from local tax bases to compensate.

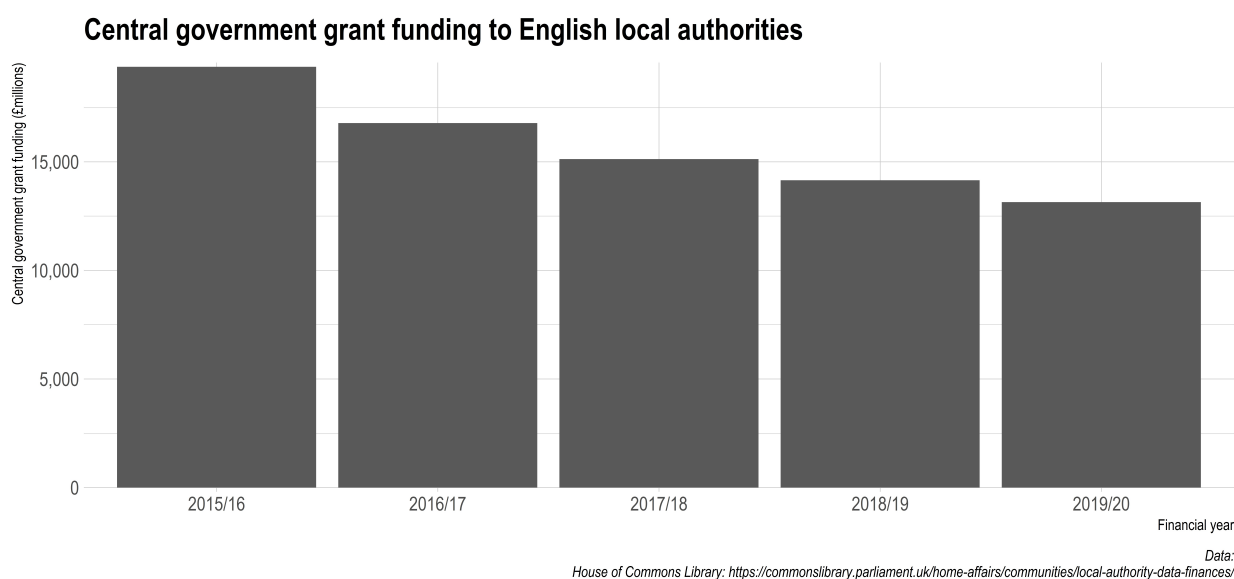


Figure 1: Central government grant funding to English local authorities

This has had a knock-on effect on local government resources, especially staffing,

putting pressure on local authorities' ability to provide their core services, let alone engage in Brexit preparation. Indeed, while central government staff levels have been steadily increasing, driven in part by the need to bring on more civil servants to prepare for Brexit, local government staffing levels have reduced significantly, by over 30 per cent over the last ten years (see Figure 2).

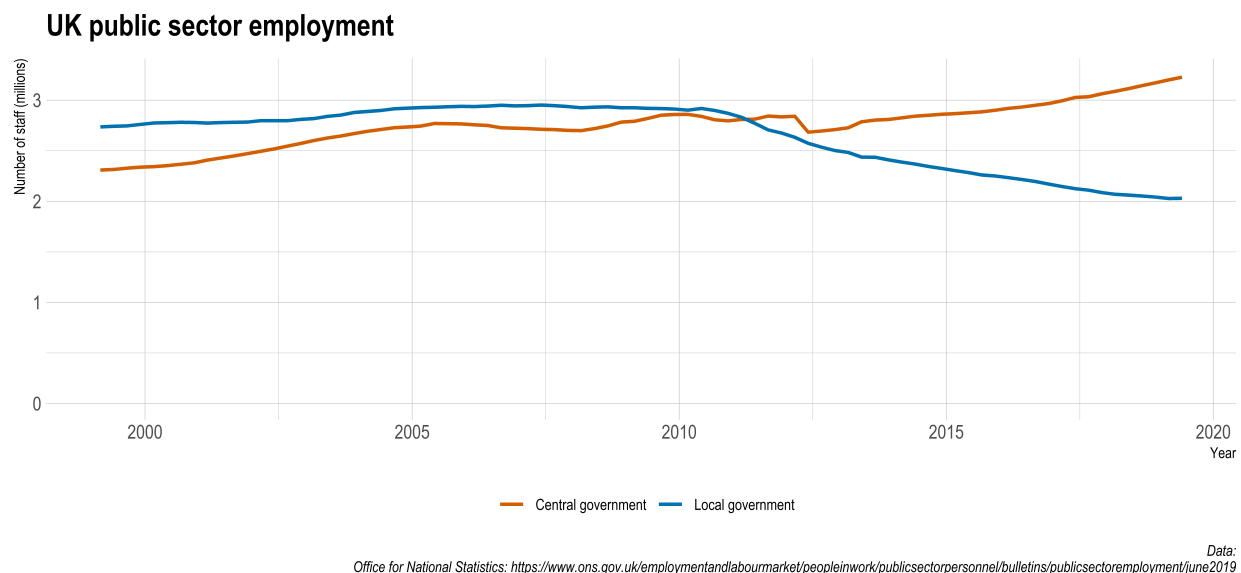


Figure 2: UK public sector employment

Overall, then, Brexit represents a sudden shift in the relationship between the local and EU levels and presents a challenge for local authorities who will need to adapt to new policymaking practices and a potential reduction in opportunities for external engagement. However, local authorities' ability to adapt and respond to this changing context is heavily constrained by centralising forces limiting their room for manoeuvre, and an ever more negative financial outlook affecting their capacity to prepare for Brexit. In this context, a range of issues have become important for local government. Two of the most important ones are the future of regional funding and the scope for local authorities to influence policy post-Brexit.

Issue one: regional funding

As indicated above, local authorities are key beneficiaries of the European Regional Development Fund, from which the UK as a whole stands to benefit from €5.8 billion between 2014 and 2020 (£5.1 billion at today's exchange rate). This funding is supplemented by national co-financing, meaning its true value is €10.3

billion (£9.1 billion at today's exchange rate). Local communities also benefit from a range of other European Structural and Investment Funds (ESIF), including the European Social Fund (£8.7 billion including national co-financing), the European Agricultural Fund for Rural Development (£7.3 billion including national co-financing) and the Youth Employment Initiative (£600 million including national co-financing). While this funding is unevenly distributed across the UK, reflecting uneven levels of regional development, all areas of the UK receive funding, and almost all principal local authorities will have received EU funding.

In a context where local services are under considerable pressure, and while local authorities are simultaneously seeing their budgets fall, EU funding has provided a means for them to deliver local projects they otherwise would not have been able to afford. However, the benefits of participating in EU funded projects are not only financial. Many project partnerships provide an 'added value' beyond the funding received, such as exchange of policy knowledge and innovation and developing joint solutions to common policy problems. The potential loss of this funding, and the activities it supports, has therefore been the primary concern for local authorities since the referendum vote.

However, while EU funding is regarded as a benefit, it has also been a source of frustration. Often the objectives of EU funding programmes do not directly match local needs, or local authorities' aims and objectives. Local authorities generally will not change their pre-determined strategic objectives in order to 'shoe horn' projects to fit EU funding criteria. For most bids funding only covers a proportion of the total project costs, meaning local authorities have to find the rest. In a context of tight budgets, finding this necessary match funding from within local budgets is often difficult. And if co-finance cannot be obtained from other sources then the project will not go ahead. In addition, local authorities have been critical of the onerous application process and the perceived heavy administrative burden associated with reporting, audit and management of EU funds. This, coupled with a high risk in some programmes of bids being unsuccessful, puts many local authorities off applying for EU funding in the first place.

Ahead of the 2017 general election, the Conservative Party manifesto committed to establishing a "Shared Prosperity Fund" to replace ESIF following the UK's withdrawal from the EU. Though there has been little substantive development on this since the election, local authorities have nevertheless welcomed this commitment to replace ESIF, and also see it as an opportunity to address some of

their frustrations. In particular local authorities have called for a greater place-based approach which better accounts for the needs of local areas and, accordingly, allowing local authorities to set their own priorities for funding. A less administratively burdensome approach to managing this funding is also advocated.

However, the lack of substantive progress on the Shared Prosperity Fund means the future of regional funding in the UK is highly uncertain. While the government has committed to underwrite all EU-funded projects approved at the point of EU departure, what happens after Brexit remains unclear. Various funding initiatives and schemes have recently been announced by the government, most notably a £1.6 billion 'Stronger Towns Fund'. However, detail on how these schemes will operate in practice is vague, and overall the funding commitments made do not come close to the level of funding local areas have been receiving from EU programmes (see Figure 3), nor address the longer-term reduction in funding driven by austerity.

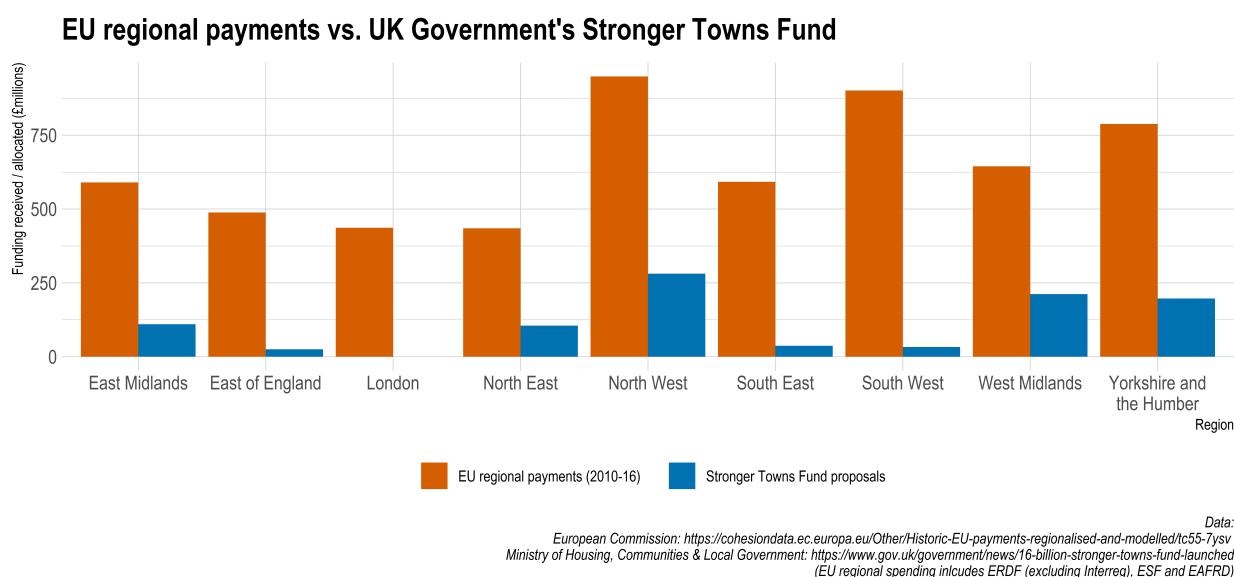


Figure 3: EU regional payments vs. UK Government Stronger Towns Fund

Issue two: policy influence

As noted above, a significant amount of the policy implemented by local government originates at the EU level. In this way influence and input into the policy process has been important to local authorities. In the EU, local authorities

have a formal advisory role in the development of EU legislation. The European Committee of the Regions (CoR) has been a part of the EU's institutional structure since the Maastricht Treaty, and the European Commission must consult with the CoR on legislative proposals which will have a direct impact on the local or regional level. Furthermore, the European Commission, European Parliament or Council of the EU may decide to seek the CoR's opinion on other legislative proposals, if any of these institutions feels there is a potential impact on the local or regional levels. The CoR can develop opinions on its own initiative, and plays a role in monitoring the application of the subsidiarity principle. While the CoR's overall visibility in and influence over the EU policy process has been questioned, the formal recognition of local and regional actors in the EU's institutional structure and policymaking process is nevertheless significant.

No equivalent body to the CoR exists in the UK. In short, there is no institutionalised body representing local government, where local authorities have the statutory right of consultation on legislative proposals in areas which affect them. As things stand, there are no plans to create such a body upon the UK's withdrawal from the EU.

In addition to the formalised role of the CoR, local authorities have adopted informal approaches to influencing EU policy. This falls into two broad categories. Firstly, some local authorities have developed their own presence in Brussels by establishing offices, often in consortia with neighbouring authorities. Staff in these offices serve multiple functions, but core roles include monitoring the development of EU policy and seeking to interact with the EU policy process where opportunities arise. Secondly, local authorities participate in a range of 'transnational networks.' Some of these networks have a rather broad focus (such as the Assembly of European Regions and Eurocities). Others focus on thematic policy areas (such as the Conference of Peripheral Maritime Regions and the European Regions Research and Innovation Network). Like the Brussels offices discussed above, these networks serve multiple purposes, but again monitoring the EU policy process and seeking to represent local views in that process are core functions. Local authorities have pursued these informal approaches to influence partly because the EU's policymaking process is conducive to interest representation, but also based on a perception that EU policymakers are generally more receptive to local concerns, or at least more willing to listen, than their counterparts in Westminster and Whitehall.

The risk from local authorities' perspectives, therefore, is that Brexit means a loss of influence and voice in policymaking, particularly once decisions previously made in Brussels are made in the UK. In the case of formal mechanisms, such as CoR, a concern voiced by the LGA is that local authorities will lose a statutory consultative role in the legislative process. In the case of the more informal approaches, the concern is founded by a perception that EU institutions and EU policymakers are generally been more open and receptive to local input than their counterparts in the UK, and that as a result opportunities to influence policy development 'at source' will decrease.

As noted above, councillors feel Westminster and Whitehall have little understanding, nor a desire to understand, councillors' and local government's role or the issues it faces (Copus and Wall, 2017). This local level perception has been reinforced by Brexit. Research following the referendum result has highlighted how local authorities felt their concerns were being ignored by central government (Huggins, 2017). This was further highlighted by the results of a survey conducted by the New Local Government Networking think tank in early 2018, which found that only 3.8 per cent of local leaders felt their authorities were receiving adequate engagement from the government on Brexit related matters (New Local Government Network, 2018). Indeed, the government only set up a formal committee bringing together central and local government to discuss Brexit in October 2018, over two years after the referendum had taken place.

Summary

Overall, Brexit presents significant challenges to English local government. Over the course of the UK's membership of the EU, local government has been significantly Europeanised, but Brexit also takes place against a domestic backdrop of centralisation and financial pressures. This has meant that while local authorities have a lot at stake in the Brexit process, they also lack the capacity to tackle many of the challenges it presents.

In the short term, and with the government's stated 31 October 2019 departure deadline only a month away, the lack of local capacity is the most significant challenge. Central government has told local authorities to appoint a 'Brexit lead', and it has offered £20 million to support local Brexit preparations. However, this

only equates to £56,657 per authority, meaning the capacity challenge remains unaddressed.

Longer term, however, the impact of Brexit on local authorities remains subject to significant uncertainty, and questions remain about how a number of challenges will be addressed once the UK has left the EU. While a case is often made that Brexit can present an opportunity to reform the centre-local relationship and to devolve many of the powers repatriated from Brussels to the local level, the context of centralisation together with the perceived indifference of central government towards local concerns had made some local authorities sceptical they will be able to shape their post-Brexit position.

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