

<b>TITLE</b>	<b>Preparing for Brexit</b>
<b>FOR CONSIDERATION BY</b>	Overview and Scrutiny Management Committee on 16 January 2019
<b>WARD</b>	None Specific;
<b>DIRECTOR</b>	Director of Corporate Services - Graham Ebers

## **OUTCOME / BENEFITS TO THE COMMUNITY**

The Council is fully prepared for impacts resulting from the process of the UK exiting the European Union (Brexit)

## **RECOMMENDATION**

This report recommends that the Council monitors the impacts from the Brexit process on residents, the Council and its services. The Council endeavours to put in place mitigating actions to reduce possible risks and benefit from any opportunities created. This will involve setting up a corporate officer group and working closely with partner organisations.

## **SUMMARY OF REPORT**

The UK is due to officially exit the European Union on 29<sup>th</sup> March 2019 ('Brexit Day').

The Brexit Withdrawal Agreement is still to be approved by Parliament. If the Withdrawal Agreement is approved then there will be a planned withdrawal across a 21-month transition period.

Should the proposed Brexit Withdrawal agreement be voted down by Parliament there is a possibility of a 'No Deal' Brexit, without a transition period, which is generally, considered to be a disruptive exit scenario for the UK.

Although, the final details of the Brexit negotiations are still to be decided, the Council needs to be prepared for any eventualities arising from Brexit by identifying and reviewing areas of potential impact along with developing a course of mitigation where appropriate.

Initial assessment suggests that Wokingham borough does not have any locally significant risks associated with Brexit and that the impacts experienced would be generic to those experienced across the UK. Areas of most concern are possible reduction of EU employees in the workforce, reduced access to EU Funding streams and the possibility of an economic downturn.

It is proposed that the Council sets up a corporate officer group to monitor the impacts of the Brexit process on residents, the Council and its services and endeavours to work with partners to develop mitigating actions to reduce possible risks and benefit from any opportunities created.

## **Background**

In June 2016, the UK citizens voted to leave the European Union (EU). Following this, in March 2017 the UK Government triggered Article 50, starting a two-year process of negotiating the terms of the Withdrawal Agreement. This is due to end on 29<sup>th</sup> March 2019 ('Brexit Day'), when the UK will officially leave the EU.

A Withdrawal Agreement was negotiated and agreed with the 27 EU member countries during autumn 2018. The Withdrawal Agreement will need to be voted on by the UK Parliament before 21<sup>st</sup> January 2019. If the deal does not pass through Parliament by this date, the Government is required by law to make a statement within five days on how it intends to proceed.

Possible outcomes include a) leaving without a deal, b) seeking an extension to the Article 50 process, c) holding a second referendum, d) a general election.

If the negotiated Withdrawal Agreement is approved by the British Parliament the ratification process to write the bill into law begins, which should be completed before the March Brexit deadline creating a new piece of legislation: the EU (Withdrawal Agreement) Bill. This will pass into law some key Brexit issues, including the agreement on citizens' rights, the financial settlement and the details of the transition. There will be a 21-month transition period until December 2020 during which time current arrangements will continue whilst new arrangements are managed into place.

If the withdrawal agreement is not approved then there is a possibility that the UK will leave the EU under a "no deal" scenario. A "no-deal" Brexit would see the UK leave the EU without any new formalised arrangements on issues such as trade, migration, and border control. Without a transition period, businesses might struggle to adapt to a new trading environment.

## **Analysis of Issues**

### National Preparations by Central Government

The Government's position is that a negotiated deal is its preferred option. However, the uncertainty around the parliamentary vote means that "no deal" preparations are important and that such preparations should continue up to March 2019 and beyond depending on the outcome of the parliamentary vote.

In recent weeks, the Government has published a number of Technical Notices to ensure businesses and citizens understand what they would need to do in a "no deal" scenario, so they can make informed plans and preparations.

The Government has also recommended that businesses now ensure they are prepared and enact their own "no deal" plans.

In addition, The Government has requested that Local Resilience Forums commence a reporting regime through to central Government in the lead up to the Brexit (Friday 29 March) so that Government can be kept apprised of local preparations.

Government will publish further advice in the weeks approaching the exit from the EU

29<sup>th</sup> March 2019.

### Local Issues Relating to Brexit

The Local Government Association has set up a Brexit Advice Hub which has identified some of the issues that local government needs to address as a result the Brexit process.

The main issues identified for Local Authorities by the Local Government Association are highlighted below particularly in the event of an exit under “no deal”

- Possible reduction of EU employees in the workforce

Businesses in the construction, hospitality, retail and care sectors have expressed concerns that they may find it difficult to fill vacancies following Brexit

Under the Government’s EU Settlement Scheme EU citizens will be able to register for settled status in the UK if they have been here for five years, or pre-settled status if they have been here for less than five years. This will ensure the rights of EU citizens are protected in the UK after EU Exit, and guarantees their status and right to work.

There may be an impact on the delivery of Council services, particularly affecting the Council’s ability to commission services in the social care sector.

The Council has consulted with their social care providers regarding the impact of a possible reduction in EU employees on the delivery of social care services. Suppliers of social care services have responded that they are satisfied that they have Brexit preparations in place and will mean that they will be able to mitigate any impacts in this area.

- No further access to EU funding streams

The UK will most likely lose access to European Structural and Investment Funding (ESIF), worth £5.6 billion to local communities in England (2014-20).

The Council has received £147,000 of EU funding over the past three years to fund the Elevate Skills and Employment Service. The Project is due to come to an end in June 2019 and the funding for this project is not considered to be at risk from the Brexit process.

The Treasury has announced that in the event of a ‘no deal’, Government would ‘underwrite’ EU funding until the end of 2020 through a ‘Shared Prosperity Fund’ which will at least match the funding from the current EU funds and be in place from 1 January 2021.

- Locally significant impacts arising from Brexit

Current information suggests that Wokingham borough does not have any locally significant risks associated with Brexit and that the impacts experienced would be generic to those experienced across the UK (i.e. we do not have any major Ports within our area which could result in significant local impacts)

- Impacts of a potential economic downturn

A number of studies have predicted that there may be an economic downturn triggered by Brexit, particularly a “no deal” Brexit. In November 2018, the Bank of England forecast that the UK economy could shrink by about 8% within a year if there is no deal and no transition period.

Wokingham borough has a high percentage of EU and other foreign owned companies based in the borough which might make the local economy vulnerable to reduced businesses investment because trading with Europe has become more complex.

A downturn is part of the general economic cycle and might be caused by factors other than Brexit. Eg Globally driven recession.

A down turn in the economy may see reduced growth, increased unemployment and a drop in consumer spending. This may also lead to a reduction in income for the Council. For example, reduced income from fees and charges.

Wokingham Borough has a strong economy and despite predictions of a recession during the original Brexit vote is still performing well. Because of a strong local economy Wokingham borough has performed relatively well during previous economic downturns in relation to the rest of the UK.

In terms of supporting local businesses, the Council will work with local partners such as Thames Valley Berkshire Local Enterprise Partnership to sign post businesses to business support providers and any funding opportunities that are available.

#### Next Steps in Preparing for Brexit

Until there is more certainty on what the final Brexit deal will be it is only possible speculate on the likely impacts on the Council. Nonetheless, the Council needs to monitor how Brexit is affecting its residents, businesses and services and ensure that it is best prepared for every eventuality.

Monitoring and planning will help the Council prepare for and avoid risks, and benefit from opportunities presented by Brexit. As there is a limit to the Council’s resources and what is might be able to achieve on its own it is suggested that the Council partners with other organisations including neighbouring authorities as part of its preparation for Brexit.

It is recommended that the Council,

- sets up a corporate Brexit officer-working group to monitor the Brexit process, government advice and local impacts and respond accordingly
- work in partnership with the work Local Resilience Forums in reporting progress back to Government
- works with partners such as Thames Valley Berkshire Local Enterprise Partnership to help develop mitigation activity where possible

- engages with local businesses and suppliers to understand the challenges they face from Brexit. Especially foreign owned businesses and those that are involved with importing and exporting goods and services

The duration of the monitoring period should cover the lead up to Brexit Day on 29<sup>th</sup> March 2019 and the transition period to December 2020 depending on the final approach to Brexit.

## FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

***The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.***

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	Nil		
Next Financial Year (Year 2)	Nil		
Following Financial Year (Year 3)	Nil		

Other financial information relevant to the Recommendation/Decision
Currently no financial impact has been identified.

Cross-Council Implications
Any impacts arising from Brexit, particularly a possible down turn in the economy is likely to affect services across the Council.

Reasons for considering the report in Part 2
N/A

List of Background Papers
N/A

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