

Subject:	EU Withdrawal: Response to Full Council Notice of Motion	
Date of Meeting:	6th December 2018	
Report of:	Executive Lead, Strategy, Governance & Law	
Contact Officer:	Dee Humphreys/Simon Newell	
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Ward(s) affected:	(All Wards);	

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report is written in response to a Notice of Motion (NoM) agreed at the October 2019 Full Council meeting.
- 1.2 As requested by Full Council, the report provides members with an oversight of the potential risks attached to the UK's withdrawal from the EU for Brighton & Hove City Council and, where information is available, the city (see **Appendix 1**).
- 1.3 The report also details steps that have been taken to implement the other recommendations in the NoM.

2. RECOMMENDATIONS:

- 2.1 That the Committee note the contents of this report and appendices.
- 2.2 That the Committee requests that the Executive Director, Finance & Resources investigates the advantages, disadvantages, and associated costs and benefits, in advance of any potential impact of the UK's withdrawal from the European Union on council finances, of accepting income from fees, charges and council tax denominated in Euros to protect this city's income stream and services, and reports his findings back to the January 2019 PR&G meeting.
- 2.3 That the Committee agrees to the formation of a Member Working Group (with one Member from Each Group) to maintain Member oversight of the potential

impacts of Brexit on Brighton & Hove and coordinate relations with city stakeholders and communities where potential impact has been identified.

- 2.4 The Committee notes that an Officer Group with representatives from relevant departments will monitor potential impacts of legislative change linked to the UK's withdrawal from the EU and co-ordinate the council's planning and report to the Member Working Group and the Executive Leadership Team (ELT).

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 This report is in response to the Notice of Motion agreed at Full Council on 18th October 2018. The Notice of Motion provided:

“This Council notes:

- the background of considerable political uncertainty, and continuing evidence of damage, that any form of Brexit will cause to the national economy;
- its previous position agreed in December 2017 in favour of a People's Vote.
- This Council further notes that more detail is now available on the potential impact of Brexit on our local and regional economy, such as on our local tourism and hospitality sector

This Council therefore requests:

- That the Chief Executive write to James Brokenshire, Secretary of State for Communities and Local Government, reaffirming this Council's desire for a People's Vote;
- That Policy Resources & Growth Committee request the Chief Finance Officer and the Executive Director for Economy, Environment & Culture to consider strategic risks arising from Brexit that will affect the council and city, and report on this before year end;
- That further to the above, that the Constitution Working Group be requested to review whether future BHCC committee reports are expanded to include a 'Brexit Implications' section in the body of the report, offering an assessment and analysis of any Brexit impact;
- That Policy Resources & Growth Committee request the Chief Finance Officer to consider the advantages and disadvantages of accepting income from fees, charges and council tax denominated in Euros to protect this city's income stream and services.”

- 3.2 Actions to date in relation to the requests above are as follows:

- ***That the Chief Executive write to James Brokenshire, Secretary of State for Communities and Local Government, reaffirming this Council's desire for a People's Vote***

The Chief Executive wrote to the Secretary of State for Communities & Local Government on 19 November 2018. The Council has received no response to date.

- ***That Policy Resources & Growth Committee request the Chief Finance Officer and the Executive Director for Economy, Environment & Culture to***

consider strategic risks arising from Brexit that will affect the council and city, and report on this before year end;

See from 3.1 below and Appendix 1.

- ***That further to the above, that the Constitution Working Group be requested to review whether future BHCC committee reports are expanded to include a 'Brexit Implications' section in the body of the report, offering an assessment and analysis of any Brexit impact;***

The Constitution Working Group (CWG) will consider this matter at its next scheduled meeting.

- ***That Policy Resources & Growth Committee request the Chief Finance Officer to consider the advantages and disadvantages of accepting income from fees, charges and council tax denominated in Euros to protect this city's income stream and services***

See Recommendation 2.1.

The EU Referendum

- 3.1 Following the UK's vote to leave the EU, the UK Government triggered Article 50 of the EU Treaty in March 2017. Negotiations on the terms of withdrawal have been taking place over the last 2 years and, as far as we know, on 29th March 2019 the UK will leave the EU and all EU law will transpose into UK law, following which the UK Government will be able to keep, amend or discard each law. It should be noted that the UK is also able to leave the EU in March 2019 without an agreement.
- 3.2 In Brighton & Hove 31.4% of residents voted to leave the EU while 68.6% voted to remain.

National Discourse & Other Potential Impacts

- 3.3 Currently within the media there is much speculation regarding the possibility of a General Election taking place if a deal is not passed in Parliament and also the possibility of a Second Referendum. These events are speculative and are not therefore considered further in this report except to note that were either to become reality, this would almost certainly complicate and change the current understanding of potential impacts further.

Monitoring Impact

- 3.4 During the negotiating process the UK Government have published technical papers which cover specific areas that could be affected by a 'No Deal' Brexit and how best to prepare in such an eventuality. The individual papers are available through the Department for Exiting the EU [here](#).
- 3.5 The Local Government Association (LGA) also have a live monitoring document focussed on advice related to potential impacts of a 'No Deal' Brexit on local government drawn from the UK Government's technical papers. These have been grouped into three categories: those which have a direct impact on councils; those which could have a secondary impact and those which appear to have no immediate impact on councils and can be viewed [here](#).

- 3.6 A letter was received by the Leader of Brighton & Hove City Council from the Department for Exiting the EU and the Ministry of Housing, Communities & Local Government (see Appendix 2) outlining how they are engaging with local government to ensure its interests are taken account of during negotiations.

Monitoring Strategic Risks

- 3.7 The Scenario Testing resource compiled by BHCC (Appendix 1) seeks to consider some possible scenarios that might come out of the current negotiations for the UK to exit the European Union, and how those scenarios might affect the city and the city council in the delivery of important services.
- 3.8 The Scenario Testing resource should be treated as a live resource that will be updated as and when the necessary information is made available. It was compiled, as with this report, before the publication of the draft EU withdrawal agreement. [The 585 page draft document has just been released and there has not been the time to test all aspects of it before the despatch of the report. If necessary the report will be updated to take account of the provisions of the draft agreement.]
- 3.9 The potential implications outlined in the Scenario Testing resource are not a prediction of what will come to pass in the Brexit negotiation process, and do not constitute a detailed action plan to prepare for Brexit. Instead they are a consideration of several scenarios along a spectrum from a 'no-deal' hard Brexit to a Brexit where many of the existing rights and regulations continue to apply; assessing what the impacts might be of each of these on the various elements of city life or service areas (positive or negative).
- 3.10 The identified potential implications also consider whether there is anything a local authority has the ability to do to mitigate an impact and whether there is more BHCC could be doing as a council to address any serious risks or opportunities.
- 3.11 The intention is not to set out a clear set of actions to be implemented in the event of any one of the scenarios occurring, as it is unlikely that the eventual Brexit outcome will neatly fit into any scenario. There are a lot of unknowns about how impacts across the city and council services will play out, and many will only be identifiable with the benefit of hindsight. However, it may become clear that there are some risks that are so great they need closer examination, or some common themes across all scenarios that imply it would be worthwhile preparing for that issue in more depth.

City Metrics Potentially Affected by Brexit

- 3.12 3.3% of Brighton & Hove residents were born in the 'old' EU countries (those pre-dating the accession of eastern-European countries). That is against an England average of 1.7% and a South-East average of 1.9%.
- 3.13 Meanwhile 2.1% of the Brighton & Hove population were born in the EU accession countries, which matches the England average (also 2.1%). It is 1.8% in the South East region.

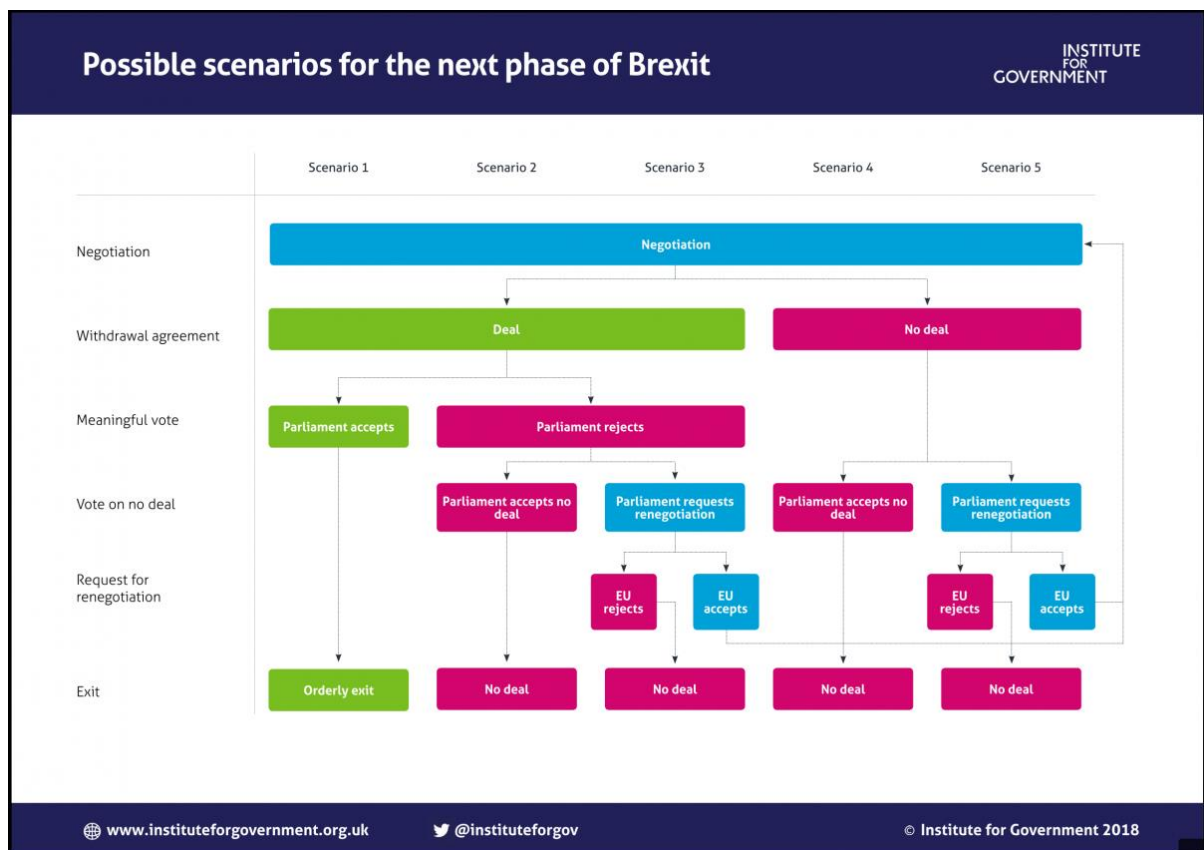
- 3.14 This therefore means that the city has a larger pool of western European workers to draw from and may be more strongly affected by any Brexit driven impact on the supply of those workers.
- 3.15 Brighton & Hove also has a much higher proportion of highly-educated workers, with 36.9% holding Level 4/5 (degree or higher) qualifications, as opposed to 27.4% across England and 29.9% in the South East.

Brexit Scenarios

3.16 There are a considerable number of possible Brexit scenarios that could play out over the coming months. However, these are largely variations on a theme and therefore, for the purposes of this exercise, three main scenarios have been selected for testing:

1. A No-Deal ‘Hard Brexit’

- 3.17 If the government is not able to negotiate a deal by the deadline of March 2019, then it is possible that the UK leaves the EU immediately, with no resolution to the Irish border question and no arrangements for trade and movement.
- 3.18 Sir Bob Kerslake has set out that this outcome could be likely, given the need for parliament and the EU27 to agree any deal, as set out in the graphic below from the Institute for Government:



3.19 Under this scenario, there could be delays at all of Britain’s borders, along with the gradual establishment of a hard border in Ireland. Tariffs, customs checks

and regulatory controls could be applied at all of the UK's borders. The EU would decide how strict to make checks at the border on the basis of contingency plans it is drawing up. Trucks and flights could be at risk of being grounded if a quick resolution is not found.

2. Continued Uncertainty

- 3.20 A provisional deal could be agreed by the two sides, which would see some form of relationship akin to the existing membership of the EU extended for a further two years while transitional arrangements are negotiated and put into place. During this time the UK would not have any input into EU rule making.
- 3.21 In this scenario, there could be no clear breakthrough in the negotiations with both parties preferring to extend the transitional arrangements indefinitely rather than risk an economic or political shock by reaching (or not reaching) a final deal that goes one way or another.

3. European Economic Area (EEA) Style Agreement

- 3.22 This scenario would see Britain making concessions up to and during the transition period, and would see the UK leaving the EU in March 2019 with an orderly withdrawal agreement and entering the EEA-style agreement (e.g. as for Norway and others) and remaining in the customs union at the end of the transition period in January 2021.

Potential areas of Impact

- 3.23 There are a number of areas where either the city generally, or the work of the city council more specifically, might be affected by Brexit. In reality, it is not possible to identify or plan for all of those, but it is possible to look at the key areas where the existing terms of membership of the EU have a strong impact. These include:

- Funding
- Trade
- Tourism
- Skills/Workforce
- Community Cohesion
- Migration
- Procurement
- State Aid
- Food Safety and Standards
- Waste
- Consumer Rights
- Air Quality
- Resilience/Emergency Planning
- Universities
- Language Schools

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 This report provides information requested by Full Council rather than making substantive recommendations. There are consequently no alternative options to be considered.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 None directly, although some of the information included in Appendix 1 to this report was developed with the input of city partners.

6. CONCLUSION

- 6.1 This report outlines actions in response to a Notice of Motion agreed at October Full Council.
- 6.2 As requested by Full Council, the report also recommends that Policy, Resources & Growth Committee request that the Chief Finance Officer explores the potential for accepting income denominated in Euros.
- 6.3 Brexit implications will now be a regular discussion item for BHCC's Executive Leadership Team in order to best consider and prepare for the outcome to the current negotiations. Where risks and opportunities are identified as needing corporate attention, an organisation wide officer working group will be convened to assess potential impacts and recommend courses of action.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The council has and does receive funding via EU programmes for various initiatives. Between 2012/13 and 2017/18 approximately £1.7m EU funding was received. Following EU withdrawal it is not clear whether or not access to these funds would continue or be replaced through UK government programmes and funding.
- 7.2 EU withdrawal could lead to legislative change that could have positive or negative financial implications for the council. Examples include procurement, environmental and employment regulations but there are many other areas of legislation and regulation that could impact positively or negatively on the council's running and administrative costs.
- 7.3 Assessing macro-economic impacts is clearly difficult. EU withdrawal may impact positively or negatively on short, medium and long term financial and economic performance including inflation, interest rates and economic growth. Any or all of these can impact on the council either through impacts on running costs, impacts on investment and borrowing decisions and performance, or through any impact on the level of government funding provided to local authorities. These factors can similarly impact on the wider city in relation to levels of regeneration and new development, employment, local business growth, etc. These can have indirect impacts on the council through housing, social care or welfare related costs as well as impacts on taxation revenues.

Finance Officer Consulted: Nigel Manvell

Date: 19/11/18

Legal Implications:

- 7.4 All EU laws will be incorporated into UK law on the date of departure, but will be subject to review and amendment, some of which will be done by parliament and

some by ministerial order. Most of the laws regarding environmental protection, consumer rights, procurement are expected to be preserved while there may be significant changes in other areas. The impact of any changes will be monitored and appropriate action taken to ensure that the Council is fully compliant.

Lawyer Consulted: Abraham Ghebre-Ghiorghis

Date: 14/11/18

Equalities Implications:

- 7.5 None identified at this stage. As there is still considerable uncertainty about the nature of the Brexit deal, the length of any transition period and a number of other key factors, we are not currently in a position to identify the equalities implications of EU withdrawal. This work will be undertaken when there is more clarity about the nature of the arrangements.

Sustainability Implications:

- 7.6 None identified at this stage. As there is still considerable uncertainty about the nature of the Brexit deal, the length of any transition period and a number of other key factors, we are not currently in a position to identify the sustainability implications of EU withdrawal. This work will be undertaken when there is more clarity about the nature of the arrangements.

Any Other Significant Implications:

- 7.7 As above

SUPPORTING DOCUMENTATION

Appendices:

1. Brexit Scenario Testing
2. Letter from MHCLG and DExEU regarding Local Authority engagement on the UK's exit from the European Union

Documents in Members' Rooms

None

Background Documents

None