

## County Council

19 March 2019

### EU Exit - Warwickshire County Council Impact Assessment

#### Recommendation

That the Council notes the approach taken and assurance given to date in preparing the County Council for the UK's exit from the European Union.

#### 1.0 Background and context

- 1.1 Following the Referendum result in 2016, the UK government has sought to negotiate the exit of the United Kingdom (UK) from the European Union (EU).
- 1.2 On 24<sup>th</sup> November 2018 the UK withdrawal agreement and statement on future relationship was agreed with the European Union.
- 1.3 This agreement was not ratified by the UK parliament on 15<sup>th</sup> January 2019. Further motions and amendments were considered in Parliament on 20<sup>th</sup> January 2019 leading to extended negotiation with the European Union. At time of writing this paper a decisive vote in parliament is currently scheduled for mid-March.
- 1.4 As it stands there are three main scenarios for the UK's exit from the EU:
  - The UK leaves the EU 29<sup>th</sup> March 2019 with a deal and moves into a transition period and further negotiation on the future relationship with the EU to the end of 2021/22
  - The UK leaves the EU on 29<sup>th</sup> March 2019 without a deal and no transition period
  - The UK membership of the EU is temporarily extended through an extension of Article 50
- 1.5 This is a fast moving agenda and it is considered timely to update Members of the latest position.
- 1.6 This paper seeks to provide Members with the assurances that the County Council is responding and preparing for EU exit in line with national guidance and local need. These preparations have considered all the above options, but for business continuity purposes have a focus on a no-deal scenario.

## **2.0 Approach taken to date**

- 2.1 To date, the County Council's approach has been measured and pragmatic.
- 2.2 In recent months, we have sought to complement advice issued at a national level e.g. technical notices with the development of a local understanding of the impact of EU Exit for Warwickshire and the region.
- 2.3 Reflecting the County Council's role as both a provider of key services and as a leader of place, this work has been focused on three main strands:
- Understanding the impact on business continuity for the County Council
  - Understanding the impact for business
  - Understanding the impact for our communities
- 2.4 Over recent weeks the scale of preparations for the UK exiting the EU without a deal has accelerated significantly
- 2.5 Internally an officer team has been established with lead officers, identified from each directorate as well as legal, HR and communications expertise.
- 2.6 We are working closely with partners across Warwickshire and the West Midlands to both understand the combined impact of EU Exit and to coordinate effort and mitigating action where appropriate. Partnerships include:
- The Warwickshire Local Resilience Forum - Contributing to a high level multi-agency risk assessment; engaging in scenario planning; and participating in weekly strategic teleconferences for lead officer
  - The Local Enterprise Partnership – Sharing issues with business leads, Universities, The Chamber of Commerce Growth hubs and other key partners to support reporting to the Department of Business Energy Industrial Strategy [BEIS], The West Midlands Combined Authority - Engaging with the WM Combined Authority Brexit commission and the technical groups
- 2.7 This is a complex landscape which requires proactive navigation and effort to ensure the interests of Warwickshire and Warwickshire County Council are fully understood and met.
- 2.8 The subsequent sections seek to provide assurance to Members on our approach.

### **3.0 Key areas to consider**

- 3.1 Following guidance issued by the Ministry of Housing and Local Government (MHCLG) in January 2019 an assessment of the impact of EU Exit has been undertaken for all WCC statutory and regulatory services. This exercise also includes specific assessments for data protection, staffing, supply chains, finance and communication.
- 3.2 In parallel all business continuity plans for critical WCC service areas as well as our provider organisations within adult social care have been reviewed. These include many of our statutory services as well as high profile services such as Fire and Rescue.
- 3.3 A similar, multi-agency risk assessment has been conducted by the Local Resilience Forum with a focus on civil contingency and emergency planning.
- 3.4 Following national guidance, findings from these exercises and pre-work are reported to MHCLG on a weekly basis. For WCC this is done via the Solihull MBC Chief executive who is the West Midlands regional lead. Whilst the content of the risk assessments described above is considered sensitive and exempt under FOI, the intention of this report is to provide Members with a level of assurance that issues have been identified and mitigating action taken wherever possible. Key themes are therefore highlighted for members below.

### **3.5 Understanding the impact on Business continuity for the County Council**

- 3.5.1 Following the exercises described above as a County Council we are able to provide the following statements of assurance:

**Statutory services** – The County Council has evaluated the potential impact of EU Exit on all WCC statutory services, and where necessary reviewed the contingency plans that are currently in place. The impacts have been assessed to be low to medium and addressed primarily through updating of business continuity plans.

**Regulatory services** - The County Council has evaluated the potential impact of EU Exit on all WCC regulatory services, and where necessary has reviewed contingency plans to respond to potential increases in demand. Notably this includes a potential increase in demand for Trading Standards in relation to dangerous goods; illegal storage of fuel; and unsafe food. Mitigating action relates to reviewing the need for increased staffing in this area.

**Legislative framework** - The County Council continues to review all relevant legislation, monitoring the impact of proposed changes coming from EU exit.

**HR/Staffing** – The County Council has evaluated the potential impact of EU Exit on both our direct and commissioned staffing base in relation to EU nationals.

**Data** – The County Council has undertaken the necessary assessments and reviewed the relevant business continuity plans to assess the impact of EU Exit on all ICT and data handling that impacts the council. The County Council knows where the council's data is held and where this is hosted in the EU. Assurance can be given that contingencies are in place for considering the potential impact of a 'no deal' scenario hindering the flow of information across the EU border. High risk areas are being prioritised.

**Supply chains** - The County Council has evaluated the potential impact of EU Exit on all key supply chains that affect the Council and our strategic partners. This is complex and covers a variety of suppliers, suppliers and supply chain routes for business. This includes longer term planning for a potential increase in cost of goods and supplies and knock on effect for budgets, particularly for construction and infrastructure schemes.

**Finance** – The County Council has evaluated the potential impact of EU Exit on the financial commitments and position of the Council. This has addressed uncertainty on financial, currency and investment markets in relation to interest rates, value of sterling and investment. This is of particular relevance for the Pension scheme and WCC Treasury management.

- 3.5.2 Where issues have been identified, mitigating action has been put in place as far as possible. This will be reviewed as further guidance and clarity is provided nationally.
- 3.5.3 It should be noted that the majority of issues have a medium to long term focus and will require further review and monitoring.
- 3.5.4 The County Council has been allocated £175,000 of funding to support Brexit preparations, with half this amount being issued in the 2019/20 financial year
- 3.5.5 The work undertaken to date has highlighted areas of pressure where funding could be of benefit. To deliver maximum effect our intention is to consider pooling some funding with other local authorities in the region.

## 3.6 Understanding the impact for our businesses

3.6.1 Looking across the Warwickshire economy the following factors are of particular relevance when considering EU Exit:

**Warwickshire Workforce** - The Coventry & Warwickshire area has a higher than average proportion of non-UK born workers (c. 15% of the workforce locally), coupled with very low unemployment rates. As a result, the local area could be affected by a reduction in the availability of non-UK workers as there is very limited slack in the labour market. The sectors with the highest concentrations of non-UK born workers are manufacturing (particularly in plant, process and machinery occupations); accommodation and food services; construction; health and social care and tourism

**Warwickshire Automotive sector** - Warwickshire (and the wider C&W area) has a very strong automotive sector. Nearly 15,000 people are directly employed within the manufacture of motor vehicles within the county (10% of the total nationally), and a further 20,000 within the wider manufacturing base of which the majority is strongly linked to the automotive industry. The manufacturing (as opposed to R&D) side of the automotive business is currently reliant on frictionless trade and just-in-time processes, and the sector has highlighted the impact on costs and efficiencies in light of a no-deal scenario or higher tariffs on goods. While the R&D functions are less directly affected by these issues a reduction in activity and profits would have an effect over time. The Society of Motor Manufacturers and Traders (SMMT) has highlighted the risks to future investment decisions by automotive manufacturers in light of a no-deal scenario, and JLR has specifically highlighted the potential impact on their business operations in the UK. Many automotive companies are stockpiling component parts, looking at reducing production in the period immediately following Brexit to mitigate potential shortages, and exploring alternative supply chain arrangements.

**Agriculture and the rural economy** - While a relatively small contributor to total economic output in the county (c. 2%), and employment (c. 3,000), the sector has distinct indirect benefit to the wider rural economy and tourism sector in Warwickshire, and is a sector that has been identified as facing issues. This is three-fold – access to seasonal labour, the high trade barriers that exist for agricultural products under WTO rules and the concessions that may be needed on agricultural products in any future trade deals.

**European Funding** - Coventry & Warwickshire as an area is likely to benefit from over £100m of European Structural & Investment Funding over the period 2016-2023. The two universities in the area also secure significant grant funding from other European Programmes to support their research programmes. The Government has guaranteed the European Structural & Investment Funds for the life of the programme, and so the area will continue

to benefit from this funding until 2022/23. However, this guarantee only applies to projects that are contracted before the 29<sup>th</sup> March 2019. The Government has also indicated that a replacement funding stream (the Shared Prosperity Fund) will be introduced, but it is not clear at present if this will be comparable in value to an area such as Warwickshire.

**Business confidence** - The County Council works in partnership with the Chamber of Commerce to undertake Quarterly Economic Surveys of businesses. The last one was undertaken end of November/early December, and while business activity and confidence had reduced compared to previous quarters, these levels remained above regional and national comparators suggesting the area is better placed than others. However, the continued uncertainty is an issue and there has been a drop off in business investment activity. More companies are starting to enact their contingency plans – this ranges from stockpiling, reducing activity, exploring alternative routes to markets and supply chains, and in some cases exploring European based subsidiaries or relocations.

3.6.2 The key issues/questions that businesses across the area are raising are mostly around export/import licenses, increased input costs, access to markets, and HR issues around status of current EU workers and ability to access future labour, management of information and advice for business.

3.6.3 In response to these issues, the County Council is working closely with the Coventry & Warwickshire Local Enterprise Partnership (CWLEP), Growth Hub, Chamber of Commerce and other key intermediaries to deliver key messages, and encourage businesses to actively consider the particular issues and implications for them through a Brexit Toolkit, help-line, and access to business support advisors. We are looking to further increase this communication flow, and the County Council has set up a Brexit page on our website to provide information and links to key sources of information and help.

### **3.7 Understanding the impact of EU exit for our communities**

3.7.1 The Local Resilience Forum continues to lead on a multi-agency approach to the civil contingency risks associated with EU exit. Several scenario exercises have been conducted and plans are in place to respond to a broad range of emergencies. Key WCC staff are involved in this work.

3.7.2 A WCC communication plan for EU Exit has been developed to coordinate activity and manage consistent messages internally and with our partners. This will complement the work of the Local Resilience Forum and associated

communication cell, which will coordinate communication activity in the event of a civil emergency, in line with standard practice.

3.7.3 In addition to the above, the Community Safety and Locality Working Service has identified the following potential issues:

- Possible negative impacts on community cohesion and hate crime
- An increase in demand for Citizens Advice services both from EU citizens and residents impacted by any local job losses.

#### 4.0 Key considerations and Next steps

4.1 Reflecting the medium/long term nature of main issues raised to date, arrangements will extend past 29<sup>th</sup> March 2019.

4.2 The WCC officer team will continue to monitor issues beyond this date and officers will continue to participate in strategic team meetings of the Local Resilience Forum.

4.3 Communication and engagement with local and regional partners will continue as well as further engagement and compliance with central government guidance, training and awareness events.

4.4 Further issues and progress will be overseen by Corporate Board and reported to Members on a regular basis.

#### Background Papers

None

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The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: None