

# BUSINESS SUPPORT OVERVIEW & SCRUTINY COMMITTEE 25 OCTOBER 2018

## THE POTENTIAL IMPACT OF BREXIT

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### Summary

This report draws on the sectoral analysis undertaken by the Government to assist Members to understand the potential impact of Brexit on the Council and the people of Medway.

### 1. Budget and Policy Framework

- 1.1 It is within the terms of reference of Overview and Scrutiny Committees to review and or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions and to consider any matter affecting the area or its inhabitants.

### 2. Background

- 2.1 The United Kingdom European Union membership referendum took place on 23 June 2016 to gauge support for the country either remaining a member of, or leaving, the European Union (EU) under the provisions of the European Union Referendum Act 2015 and the Political Parties, Elections and Referendums Act 2000. The referendum resulted in a simple majority of 51.9% being in favour of leaving the EU. Although legally the referendum was non-binding, the government had promised to implement the result and it initiated the official EU withdrawal process on 29 March 2017, by invoking 'Article 50'. This put the UK on course to leave the EU by 30 March 2019, after a period of Brexit negotiations.
- 2.2 At the meeting of the Business Support Overview and Scrutiny Committee on 23 August 2018: *"a Member suggested that the Committee should look at the rationale behind the Council's decision to not commission a Brexit Impact Assessment and to also consider what work undertaken by other organisations in assessing the potential consequences of exiting the EU that the Council has considered and what gaps exist."*

2.3 The Committee agreed to consider at the next agenda planning meeting the timing of a report on Brexit. It was subsequently concluded that, in light of the March 2019 deadline, time was of the essence and officers were asked to prepare a report for this meeting of the Committee, 25 October 2018. It was agreed that this initial piece of work would consider the issues which may affect the country and identify those which could potentially have implications for the Council and the people of Medway.

### **3. Local Government Association (LGA) ‘call for information’**

3.1 In November 2016 the LGA released a ‘call for information’ covering three broad areas; local growth, local public services and regional funding. The responses ranged from potential impacts on public services and local workforces, to opportunities to reform both the legislative and regional funding environment. Since then the LGA has been working on a range of issues with colleagues in the Ministry of Housing, Communities and Local Government (MHCLG) and the Department for Exiting the European Union (DExEU). It identified further key areas for local government input and renewed its ‘call for information’. Local authorities were urged to consider the following areas:

- *Economy: what are the risks and opportunities of Brexit on your local economy and what impacts do you expect in the future?*
- *Workforce: what risks and opportunities does Brexit represent for your local workforce and the skills of your residents?*
- *Funding: what are your priorities for local growth funding, particularly for the UK Shared Prosperity Fund (UKSPF) domestic successor regime, and which other sources of funding are particularly important to your local economy?*
- *EU legislation: what are your priorities for local government when EU legislation is reviewed in the UK?*

3.2 Officers of the Council have not been asked to carry out any specific pieces of work in relation to Brexit, but have a ‘watching brief’ and the issues are discussed at various forums, including Unitary networks, SE7, SELEP, the Key Cities group and through various Kent-wide networks. The general consensus amongst many senior local authority colleagues is that there are too many variables to consider, for any meaningful planning to be undertaken at this stage, although some Councils have attempted an assessment of potential impacts. In Kent this has focused on border access and the transport implications for the Port of Dover.

### **4. Department for Exiting the EU Sectoral Analysis**

4.1 The Department for Exiting the EU was set up prior to Article 50 being triggered. This department commissioned an inquiry to undertake a sectoral analysis of the potential impact of exiting the EU. This inquiry resulted in the publication of 39 separate reports. These were published on 21 December 2017 and are listed below:

Aerospace	Environmental services	Post
Agriculture, animal health and food / drink	Fintech	Professional and Business services
Asset Management	Fisheries	Rail, incl. manufacturing
Automotive	Gambling	Real Estate
Aviation	Gas Market	Retail
Broadcasting	Higher Education	Retail and corporate banking
Chemicals	Insurance and pensions	Road Haulage and Passenger Transport
Construction and related engineering	Life Sciences	Space
Consumer goods incl. textiles and clothing	Maritime / ports incl. marine equipment	Steel and other commodities
Creative industries	Medical services and social care	Technology (ICT) (Digital)
Defence	Nuclear	Telecommunications
Electricity market, incl. renewables	Oil and fossil fuels production, incl. gas	Tourism
Electronics and machinery	Payment services and systems	Wholesale markets and market infrastructure

Source: <https://www.parliament.uk/business/committees/committees-a-z/commons-select/exiting-the-european-union-committee/inquiries/parliament-2017/department-sectoral-analyses-17-19/publications/>

4.2 The prevailing uncertainty relating to the content of the Brexit deal means that it is difficult to assess the impact on Medway. Furthermore, many of these sectors do not currently have a strong presence here but there are some, for example tourism and agriculture, that may be affected by more rigid border controls and a system of tariffs.

## 5. Brexit White Paper

5.1 The White Paper published on 12 July 2018 confirms the UK's Brexit negotiating position with the EU. It outlines the Government's proposal for a 'principled and practical Brexit' underpinned by the vision set out by the Prime Minister over recent months at Lancaster House, Florence, Mansion House and Munich. It proposes a 'package that strikes a new and fair balance of rights and obligations' as the basis for the UK and the EU to 'work together to develop and agree the framework for the future relationship'.

5.2 The paper is divided into four main sections: Economic partnership, Security partnership, Cross-cutting and other cooperation, and Institutional arrangements. The paper also details five key areas of focus:

- The economy, exploring the economic relationship with the EU, the aim to minimise disruption to trade and protect jobs. This includes delivering 'for the economy, preserving frictionless trade at the border for goods' and striking trade deals with 'old friends and new allies'.

- Communities, covering a new immigration system, support for farming and fisheries, and the regeneration of the Shared Prosperity Fund. This includes the commitment to end free movement of people, removing the UK from the Common Agricultural Policy and the Common Fisheries Policy and ensuring cooperation to tackle crime and terrorism.
- The union, and the Government's aim to protect the Northern Ireland peace process and the constitutional integrity of the UK. Including the commitment to avoid the need for a hard border between Northern Ireland and the Republic of Ireland and to devolution in 'meeting the needs of the wider UK family, including the Crown Dependencies and the Overseas Territories'.
- Democracy, including leaving EU institutions and reclaiming UK sovereignty, ensuring laws are made in UK by returning accountability to 'elected representatives who make the UK's laws in London, Edinburgh, Cardiff and Belfast', and ending the jurisdiction of the European Court in the UK.
- The UK's place in the world, including promoting openness and liberty including establishing an 'independent foreign policy' whilst working with the EU to promote and protect 'shared European values'.

## **6. Preparations for a 'no deal' scenario**

- 6.1 On the 18 July 2018, the Prime Minister and Secretary of State for Exiting the EU announced the Government's intention to publish a series of technical notices. During August and September 78 such notices were published, setting out information to allow businesses and citizens to understand what they would need to do in the event of a 'no deal' scenario, so that they can make informed plans and preparations. These notices can be found on the [www.gov.uk](http://www.gov.uk) website:

<https://www.gov.uk/government/collections/how-to-prepare-if-the-uk-leaves-the-eu-with-no-deal>

## **7. Preparations being made by other organisations**

- 7.1 The extent of work being undertaken by local authorities in relation to Brexit is incredibly varied and some are being more proactive than others, but the consensus does appear to be that the landscape is still not sufficiently clear for the sector to be making detailed plans and preparations for the eventual outcome.
- 7.2 Kent County Council and the Kent districts have established a Brexit Co-ordinating Group, on which Medway has observer status. However, other than concerns over the Port of Dover, even the activity of this group appears to be constrained to maintaining a 'watching brief' and sharing information as it emerges from Government.
- 7.3 As referenced earlier in this report, the LGA is attempting to gather views from across the sector, to facilitate a co-ordinated response by local government and to represent local authority interests in its work with the Government to refine the UK's negotiating position. In November, the Key Cities group, which includes Medway, is convening a Brexit conference, largely to reiterate key messages and to identify areas of work to be undertaken once the Brexit negotiation becomes a little clearer.

7.4 DExEu and MHCLG have stated they will be engaging with councils through a programme of teleconferences and round tables with recognised local government stakeholder groups in England – these are: The LGA, Key Cities, Core Cities, County Councils Network, District Councils Network and Metropolitan Authorities (SIGOMA). Devolved administrations will have separate arrangements for local area engagement.

## **8. Financial and legal implications**

8.1 At this stage it is not realistic to evaluate the potential impact of Brexit on the Council and the people of Medway, as there are too many variables until either a deal is agreed or the country finds itself facing a 'no deal' scenario.

8.2 There are no specific legal implications for the noting of this report although reference is made to the relevant national statutory framework.

## **9. Recommendation**

9.1 The Committee is requested to note the advice and guidance issued by the Government in preparation for the conclusion of the Brexit negotiations.

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### **Appendices:**

None

### **Background papers:**

None