

IMPACT OF BREXIT ON SEVENOAKS DISTRICT COUNCIL

Legal and Democratic Services Advisory committee - 23 January 2018

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| Report of | Dr Pav Ramewal, Chief Executive |
| Status | For consideration |
| Key Decision | No |
| Portfolio Holder | Cllr. Anna Firth |
| Contact Officer | Lee Banks, Ext 7161; Margaret Carr, Ext 7341 |

Recommendation to Legal and Democratic Services Committee: To note and comment on the work so far regarding the potential impact of Brexit on the Council.

Reason for recommendation: Although the full impact of Brexit on the Council may not be known for some time this report brings Members up to date with the current position.

Introduction and Background

- 1 The UK Government triggered Article 50 of the Treaty on European Union on 29 March 2017 following the UK's vote to leave in June 2016. At the same time, the Prime Minister delivered a letter of notice to the European Council setting out the UK's priorities.
- 2 It is accepted that the two sides now have two years - until 29 March 2019 - to negotiate a withdrawal agreement, or to unanimously agree an extension. On this date, all EU law will transpose into UK law, following which the Government decides which of the 17,000 regulations to keep, amend or discard. The UK can leave without an agreement, but an 'orderly withdrawal' is the desired outcome for all parties.
- 3 Members will be aware that negotiations are still in progress to confirm the precise details of the UK's exit. At the time of writing this report, sufficient progress has been made on the UK's financial contributions (the "divorce bill"), the rights of EU citizens in the UK and the border between Northern Ireland and the Republic for stage two talks to commence. Ministers have been clear that leaving the EU means leaving the Single Market, the Customs Union, and an end to free movement.
- 4 Following a request by the Leader of the Council, Councillor Mrs Firth has agreed to look at the potential impact of Brexit on the council and the district.

Brexit monitoring

- 5 Officers have continued close monitoring of progress and announcements, and whether there is sufficient information available for the Council to review the following: the way services are delivered; budget assumptions in the Financial Prospects Report to Members; the potential for exchange rates to impact on finances, and the implications regarding business rates reduction due to caution by businesses not wishing to invest until clarity is achieved.
- 6 There is a significant amount of information and analysis available on the Parliament website, including a series of the Government's own position papers published as an aide to the negotiations. However, despite these (and a significant body of speculative research on Brexit), there is unlikely to be sufficient detail available for councils to take a more informed view until the following is known: the nature of the deal to leave the EU, our future trading relationship both with the EU and the rest of the world, and the criteria for the Shared Prosperity Fund, intended in part to re-purpose the UK's former EU contributions.
- 7 Both Houses of Parliament are scrutinising Brexit via a series of committees, including the Communities and Local Government Committee which launched an inquiry into the impact of Brexit on local government in October last year. The inquiry is set to continue hearing evidence throughout most of this year; written evidence was however requested by 14 November 2017. A written submission from Sevenoaks District Council was duly sent to the Inquiry by the Portfolio Holder and is available as a Background Paper to this report; the executive summary is included as Appendix A.
- 8 Following the analysis of both written and oral evidence to the CLG Inquiry, the Chairman wrote to the Secretary of State for Communities and Local Government on 6 December 2017 with four key areas of concern that had emerged: replacement of EU funding; changes in the EU workforce; retaining, amending and repealing EU legislation, and representation of local government in the Brexit negotiations and beyond.

County-wide work

- 9 The Centre for European Studies at Christchurch University in Canterbury have produced reports looking at the potential impact of Brexit in Kent. The first of these looks at SMEs and the Rural Economy in the county, and the second and third, currently in draft form, on the implications for the health and care sector, and on borders and customs. Professor Hadfield who co-wrote these reports has been invited to present the findings at this evening's meeting. The LGA and KCC Members have received a similar presentation on the first of these.
- 10 The County Council will no doubt also be looking at the impact of potential skills shortages on a number of sectors (including health and care), and looking for early indications from Government regarding how these will be addressed to make sure there is no shortfall in key workers following the end

to free movement. In addition, the impact on the Port of Dover will be high on their list of concerns. The impact on EU funding in the county is referred to in paragraph 15.

Local Government Association (LGA)

- 11 The LGA is working to make sure the voice of local government is heard throughout the Brexit process, with a Task and Finish Group chaired by Cllr Kevin Bentley. The LGA is keen to raise awareness of the potential for former EU laws to be repatriated not just to Westminster but at a more local level, taking forward the EU principle of subsidiarity: central government acts only if the intended outcome cannot be sufficiently achieved at a regional or local level, or, decision making at the lowest possible level.
- 12 In addition, the LGA has scoped out the relevant legislation for local government that could impact on councils. This Council established an Officer Working Group to assess how these impacts could be felt locally; the initial results are attached as Appendix B.
- 13 Members will also note from the timeline attached as Appendix C that it is highly unlikely that any proposed changes to transposed EU legislation will be available for comment or consultation until after the proposed exit date of 29 March 2019, making it difficult for Officers to commit further resource to providing a detailed assessment of the local impact of Brexit until this critical information becomes available.

Funding

- 14 CIPFA (Chartered Institute of Public Finance Accountants) launched a Brexit Advisory Commission at the end of August, to *“explore the impact of Brexit negotiations on public services and aims to ensure the government fully considers public sector needs as it works towards a final deal. Its areas of focus include state aid rules, structural and investment funding and the future of EU nationals employed in the public sector”*. CIPFA will provide evidence based analysis of the relationship between UK public services and EU funding and bring forward policy recommendations on how future funding mechanisms could best work. At the time of writing, there was no update available on this work.
- 15 The South East LEP (Local Enterprise Partnership) has an indicative allocation of £160 million of Structural Funds from the EU which was awarded by the Government for the 2014 - 2020 EU funding period. These funds are for projects that will deliver growth and jobs. This is made up of £74.2m ERDF (European Regional Development Fund); £71.6m ESF (European Social Fund); and £14.5m EAFRD (European Agricultural Fund for Rural Development). The most direct impact on the Council would be loss of funding for the LEADER Programme at the end of its current funding period.
- 16 The County Council may also be funding projects in the District from EU funding sources which could therefore stop or reduce. During the previous programming period 2007-13, the county secured some £30 million in EU

grants in support of around 70 projects. These covered a wide range of areas including economic development, support to business and trade, education and training, improving public services, tourism and environmental protection. The ambition for 2014 - 2020 programming period was to secure £100m. A report to the Growth, Economic Development and Communities Cabinet Committee in June 2016 on the Impact of the EU Referendum on European Funding indicated that a total of £62.62m had been secured, including £5.3m for the LEADER programme in West Kent, East Kent and Mid Kent.

- 17 Government has confirmed that all signed structural fund projects are guaranteed funding up to the point when the UK departs the EU - even when these projects continue after we have left. Projects will have to demonstrate good value for money and be in line with domestic strategic priorities.
- 18 The role of LEPs has been emphasized in the Government's latest iteration of its Industrial Strategy, and it is clear that LEPs are seen as key strategic authorities in a post-Brexit UK. Government has already indicated that increased government investment will come from the creation of a National Productivity Investment Fund (NPIF), announced in the November 2016 Autumn Statement. Over the course of the four years from 2017/18 to 2021/22, the Government has allocated £23 billion in spending for the new fund to be spread across four main areas: housing, transport, digital communications, and research and development (R&D).
- 19 Government also committed to a post-Brexit Shared Prosperity Fund. Again, there are no further details available regarding the criteria for this, how much will be allocated to it, the relationship it may have with the Local Growth Fund, whether the EU principle of match funding will apply, or what outcomes the Government expects from this. Given the emphasis on raising productivity and to evening out regional disparities it is likely these will be priorities and that LEPs may be the regional purse holders.
- 20 The Chancellor of the Exchequer also announced in the Autumn statement that on top of the £700 million already invested in Brexit preparations he was setting aside another £3 billion over the next two years together with further sums if and when needed. However, to-date, no further details are available as to exactly what type of Brexit preparations this would fund.

Rural Communities

- 21 The government has promised an Agriculture Bill to replace the Common Agriculture Policy (CAP) which has hitherto guided EU funding and policy. CAP has been criticized as being overly bureaucratic and burdensome but there is no doubt that rural economies are very dependent on EU funding and will be at the forefront of any funding that is available post Brexit. The issue of broadband access and speed remains of significant importance for rural diversification within the district.

Migration and access to skills.

- 22 Government has confirmed that all EU nationals in the UK at the time of exit will be able to remain here although they may be required to be part of a new registration scheme. The agriculture and horticulture sector are two of several sectors that will be impacted by post-Brexit policies on migration. Government has indicated that they do not feel a Seasonal Agricultural Workers scheme is necessary but have undertaken to keep this under review and to consult widely with business about how access to skills can work following an end to free movement.
- 23 Other sectors that could be heavily impacted upon include construction, hospitality and retail, and health and care. Some larger employers will also be having to deal with National Minimum Wage, automatic pensions enrolment, the apprenticeship levy and the fact that domestic employment is at very high levels, meaning that filling skills gaps from a local pool may prove difficult. The Migration Advisory Committee will be making recommendations on how the visa system can become better aligned to the needs of employers, hopefully taking into account the fact that the majority of small firms will have had no experience of navigating the UK's points-based immigration system and will not have HR departments to deal with complex immigration procedures.
- 24 At the Legal and Democratic Portfolio Holder's suggestion, The Portfolio Holder for Economic Development and Property has agreed that a survey of businesses in the district on the challenges and opportunities of Brexit would be a useful way of gaining insight into what, if any, support the council could provide in the future, the level of trade that exists between the EU and employers in the district, and any concerns regarding access to skills. The survey is scheduled to be carried out in the early Spring 2018.

Other Options Considered and/or Rejected

N/A

Key Implications

Financial, Legal Implications and Risk Assessment Statement.

There are no financial or legal implications arising as a result of this report. A Risk Assessment Statement is not applicable.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

Brexit brings both opportunities and challenges for the UK and for both the district and the Council. Although it is hard to predict the precise nature of these at the

time of writing, the major impact will most likely be on our local economy and the Economic Development Strategy will need to keep pace with these opportunities and challenges as they emerge. On a more strategic level, this will also include any further iterations of the Industrial Strategy that offer further detail on “local” industrial strategies and the role of LEPs going forward.

Officers will continue to monitor these developments and others including: the new Agriculture Bill and any proposals regarding the successor to the CAP; the work of the Migration Advisory Committee; the work of the LGA in pursuing devolution, and will reconvene the Officer Working Group as necessary to examine any proposals that may emerge over time regarding deregulation.

Appendices

Appendix A - Executive Summary of written submission by Sevenoaks District Council to the CLG Committee Inquiry into the Impact of Brexit on Local Government

Appendix B -Summary of Officer Working Group analysis of EU Legislation relevant to Sevenoaks District Council

Appendix C - Brexit timeline

Background Papers

[Written submission by Sevenoaks District Council to the CLG Committee Inquiry into the Impact of Brexit on Local Government.](#)

Dr Pav Ramewal

Chief Executive