

Report of the Corporate Services Director to the meeting of Corporate Overview and Scrutiny Committee to be held on 14th February, 2019

AD

Subject: BREXIT PREPAREDNESS

Summary statement:

Please note that this report is concerned with a rapidly moving issue and this report is likely to be out of date within days of being written. [This draft was prepared on 30th January 2019 and is up to date for the time of writing]. Given this, we are also planning to provide a verbal update on issues relating to Bradford Council's Brexit preparedness at the committee meeting.

This report follows a request from full council that states:

Given the fast moving political environment nationally, it is difficult to predict with certainty what kind of deal (or no deal) is going to be agreed with the EU. The situation changes daily. Regardless, the Council must continue its preparedness to support the district to transition, whatever the outcome. Using the latest information available, we ask the Chief Executive to prepare a report on our plans as a Council to support the district now and into the future, post-Brexit. This should include an update on how we are supporting our own valued Council staff who originate from other EU countries. This report should be sent to Corporate Overview and Scrutiny for recommendations in the first instance".

This paper advises members on progress to date in preparing for the impact of Brexit, including a no deal Brexit, and the actions proposed to deal with identified issues.

It must be stressed that the current situation is highly uncertain and liable to change. At the time of writing, a range of options remain open, including a no deal Brexit. The Prime Minister will be negotiating with EU partners and due to return to Parliament on the 14th February for a vote on a final deal.

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1. SUMMARY

- 1.1 The current Brexit situation is uncertain. At the time of writing (30 January 2019), it is unclear what the final position on Brexit will be. As a result, the content of this paper, and Bradford's approach to the issues, is likely to evolve rapidly.
- 1.2 This report advises members on progress to date in Bradford Council in preparing for the impact of Brexit. It identifies issues raised and the actions proposed to deal with these issues. There is a particular focus on a no deal Brexit but most of the issues and actions identified apply whichever Brexit scenario unfolds.
- 1.3 Clearly, Bradford is not the only authority affected by these issues and we are working with the LGA, Chambers of Commerce, our Local Resilience Forum and other bodies to share intelligence, work together on plans and understand the issues and mitigations as events unfold. As part of this process, we are observing what other areas are doing to prepare for Brexit, learning and building on best practice.

2 BACKGROUND

- 2.10 Following on from the EU referendum vote to leave the European Union, the UK Parliament legislated to leave the EU on the 29th March 2019. An initial review of the EU Referendum was produced for Executive in September 2016, the *EU Referendum Response Plan*, and a report was taken to Corporate Overview and Scrutiny Committee on 6th October 2016.
- 2.11 A motion at Full Council, January 15th 2019, recognised the importance of involving all councillors in our overall approach to prepare for Brexit **in advance of a version of this report** going to Executive in March. This motion also asks for the Chief Executive to prepare a report on the plans for supporting the District through Brexit which contains an update on *how we are supporting our own valued council staff who originate from other EU countries*. This paper covers these issues.
- 2.12 Since the Brexit referendum, the Council has been monitoring developments. A mid-year review (January 2018) of the Council's Annual Governance Statement included an update on the latest Brexit position and was considered by the Council's Governance & Audit Committee. More recently, as events have unfolded, Bradford Council has stepped up its own preparations for Brexit with a particular focus on the issues raised by a no deal Brexit. This report summarises the approach as it currently stands.
- 2.13 The defeat of the Government's proposed Withdrawal Agreement, on the 15th January 2019, means that a no deal Brexit remains a possibility. The latest position (30th January) is that Parliament voted for an amendment to the

Withdrawal Agreement which requires *alternative arrangements to avoid a hard border with Northern Ireland*. Parliament also voted for a non binding amendment that *rejects leaving the European Union without a Withdrawal Agreement and Framework for the Future Relationship*. The Government now has until the 14th February to try and negotiate changes to the Withdrawal Agreement to *secure significant and legally binding changes* to the Backstop arrangement. If the Government cannot secure amendments to the Withdrawal Agreement that commands both a majority in the Commons and the agreement of the EU, and there is no extension of Article 50, the default legal position is that the UK will leave the EU on 29 March 2019 without a deal.

- 2.14 In the event of a no deal exit, there will be no transition period for the UK to leave the EU. EU law, regulations and trade agreements will cease to apply to the UK immediately after 11pm on 29 March 2019. The UK will assume third party status and resort to World Trade Organisation Rules. The Withdrawal Bill sought to incorporate EU regulations into UK law, the extent to which this is completed before the 29th March will determine the extent to which risk will be mitigated.
- 2.15 Given the current situation, any Brexit risk assessment is hedged with uncertainties, gaps in knowledge and liable to change. We all have a responsibility not to overstate any potential issues. Nevertheless, it is important that we assure ourselves that we have plans in place to deal with any potential consequences. This is why we are working closely with partners in Government and regionally, as part of the Local Resilience Forum work and other partnership activity (such as working with the Health sector on workforce and the Chambers of Commerce and the WYCA on communications with the business community).

2.2 Potential Issues Posed by Brexit and Actions to Address the Issues

- 2.21 There are a number of issues that we need to prepare for in advance of Brexit. These are summarised in this section.

2.22 The Council's EU Workforce

What are the potential issues?

- 2.23 Once the UK leaves the European Union, EU citizens will need to apply for settled status to secure the right to live and work in the UK and gain access to benefits and public services. The scheme opens fully on the 30 March 2019. However, on the 21st January it was opened to those with an EU passport and non EU citizens who have an EEA residence card or EEA permanent residence card, issued following an application made on or after the 6 April 2015.

This has a number of implications including that:

- Whilst EU citizens in the Council workforce are legally entitled to live and work in the UK by securing settled status, we need to ensure that they are aware of this entitlement and support them through this process.
- EU citizens who live and work in the Bradford District are aware of and can access the settlement scheme.
- Key sectors, such as the health and social care workforce, prepare for potential workforce shortages in order to ensure continuity of service delivery.

What are we doing on this?

2.24 The following work is already being undertaken.

- HR colleagues have scoped what the Council would need to do to implement a scheme to support settlement status application and are gathering nationality data on employees. Our HR recording has been amended so that employees can state their specific nationality in order to ensure we can assess the number of staff with EU citizenship.
- The Council are communicating directly with employees. This is both to reassure our employees and emphasise how much we value them, and to give guidance on available support.
- Existing Home Office Communications material on the Settlement Scheme will be distributed to all tier 4 managers to allow them to support members of their teams through the process.
- Residents will be signposted to settlement scheme and business preparation guidance from the Home Office through material sent out with rates bills.

2.25 The current position, as described on the Settlement Scheme website, is that *there will be no fee when the scheme opens fully on 30 March 2019. Anyone who has applied already, or who applies and pays a fee during the test phases, will have their fee refunded.*

2.26 As noted above, we are currently gathering data on how many employees are eligible for settlement status in order to identify support and guidance needs. National estimates suggest that 7% of the workforce are EU citizens. If Bradford Council is similar, then there will be around 560 eligible staff.

2.27 **We would welcome views of the committee about our current plans to support our staff through the settlement process following Brexit.**

2.28 **Wider Workforce**

What are the issues?

2.29 The consensus amongst economic forecasters is that a no deal Brexit will lead to a sharp down turn in the economy. The impact on the business community is expected to be “deep and not wide”, more than 75% of the impact of a no deal Brexit will fall on 5 sectors. The impact will vary dependent on whether the business:

- Exports to the European Union
- Is part of a global supply chain (such as in the automotive and aeronautic parts industry prevalent in Keighley and Baildon)
- Relies on migrant labour
- Relies on EU subsidies and grants such as the R&D sector and agriculture.

2.30 Eastern European nationals have become an increasingly important part of the local labour force in Bradford since the mid 2000s. Employment is in a range of sectors but concentrated in manufacturing, retail, hospitality, construction, health and social care.

2.31 The Health and Social Care workforce is the largest employment sector in Bradford – 31, 000 employees are in this sector out of an employee workforce of approximately 200,000 in the Bradford District. This is 1 in 7 of the workforce. Nationally, around 6% of the health and social care workforce are estimated to be of EU origin. It is difficult to get accurate figures for Bradford but Skills for Care, based on national survey data, estimate around 3% of the social care workforce to be of EU origin. This is likely to be an underestimate.

2.32 Workforce Sectors Most Likely to be Affected by Brexit and the implications for Bradford

2.33 A report in 2018 by Oliver Wyman found that over three quarters of the impact of Brexit will be shouldered by only five sectors (Financial Services, Automotive, Agriculture, Food and Drink and Chemicals and Plastics).

2.34 The implications for Bradford businesses may not be the same as national trends (for example, our local financial services sector tends to serve a domestic market so may not be as affected by Brexit). Table 1, below, provides an indication of what a no deal Brexit could mean in terms of scale of employers and employees in the district affected.

Table 1: Employment Profile in the Five Sectors Most Affected by Brexit

Sector	<i>Employment in Bradford</i>	<i>% of employment in Bradford</i>	<i>% of employment nationally</i>	<i>Key businesses in the district</i>
<i>Financial Services</i>	7,900	7.7	10.2	Provident / Yorkshire Building Society / Santander/ Natwest/ UKAR / Congregational /TL Dallas/
<i>Automotive</i>	5,900	2.9	2.7	JCT 600 / Borg Warner / Federal Mogul / Autoelectric / M1Engineering / Gesipa
<i>Agriculture</i>	950	0.4	1.6	None of note – mostly small farmers – sheep and dairy farming mainly
<i>Food and Drink</i>	5,600	2.7	1.3	Farmers Boy / Seabrook/ Sparks / Princes / Mumtaz / J Wild/ Aagrah/ Premier Foods / Timothy Taylor / Yaadgaar / ABF / McCambridge
<i>Chemicals and plastics</i>	3250	1.5	0.9	BASF / Kemira/ Nufarm / Styrene / Christeyns / Whiteghyll / McBride

What are we doing?

2.35 As part of Bradford Council's work in preparation for Brexit, we are engaging with partners such as the Chamber of Commerce to gain a better understanding of business concerns around a no deal Brexit and the implications for employment and economic output in the district.

- 2.36 The Chamber of Commerce has a Brexit preparedness toolkit and we are raising awareness of this and the Home Office toolkit on the settlement scheme. This is being done through signposting and guidance delivered with Bradford Rate Bills and by working with the local economic partnership. Business workshops were held at the end of 2018 by the European Enterprise Network, in cooperation with the Local Economic Partnership and Department for Industry and Transport. The Network is recording business enquiries on its customer relationship database and the Local Economic Partnership has guidance pages on its website.
- 2.37 We are working with NHS partners, and others on the health and social care workforce, as there are already labour shortages in this sector (regardless of Brexit). This work includes setting up a Health and Social Care Industrial Centre of Excellence which will improve the numbers of people coming into these professions.
- 2.38 In the short term, the Department of Health and Wellbeing and Children's Services are planning to work with NHS and other partners to ensure that the existing EU workforce is supported. We know that many of our partners (especially the NHS) are planning to support their EU workforce in a similar way to the Bradford Council Workforce plans outlined above.

2.39 Supporting Vulnerable residents

What are the potential issues?

- 2.40 The demographic profile of Bradford means that there are large numbers of people within our community who fall into the category of vulnerable groups in relation to the settlement scheme. Particular problems are posed by issues such as lack of documentation, levels of literacy, access to online facilities and so on.
- 2.41 The Home Office have recognised the specific difficulties vulnerable groups might face. They have established a vulnerable groups settlement scheme fund of £9 million. **This money is only open to voluntary and community groups. Local authorities cannot bid for this money.**

What are we doing?

- 2.42 We are working closely with partners in the voluntary and community sector to develop a bid. To date, this has included identifying partners, identifying a lead partner, and scoping how support might be developed. At the time of writing, there were potentially two bids being submitted. One bid covering both areas of Leeds and Bradford, another focussing specifically on Bradford. In addition, the Council is looking at ways in which we can work with communities to support vulnerable residents through the settlement process.

- 2.43 We are hosting a community consultation event on the 13th February. This event is organised with partners in the Bradford Hate Crime Alliance and focuses on identifying any issues faced by vulnerable groups in our community and how best we communicate and reassure vulnerable communities through the Brexit process.
- 2.44 As a Corporate Parent, the Council is responsible for securing the settled status of any eligible Looked After Children. We have begun to identify how many children are eligible – a difficult process given that some children and their families arrived without documents such as birth certificates and passports. Provisionally, we may have up to 96 eligible children. A lead officer has been appointed to manage the process of application and we are liaising with a partner authority which ran a pilot scheme for looked after children, to ensure best practice.

2.45 Funding and Public Finances

What are the potential issues?

- 2.46 Government economic forecasts highlight that a no deal Brexit is considered the worst scenario. The Treasury estimates that over a 15 year period the economy will be 7.7% smaller if there is a no deal exit, than it otherwise would have been. For Yorkshire and the Humber, the Treasury estimates the economy being 8% smaller if there is a no deal Brexit than it would have been in a negotiated exit or remaining in the EU. The Bank of England estimates that the Yorkshire and Humber regions will lose 7-10% productivity two year after leaving the EU in the event of a no deal Brexit.
- 2.47 If these forecasts are correct, the contraction in the UK economy will lead to a reduction in tax receipts and potentially the funding available for Local Government. A reduction in economic activity would also have an impact on locally collected taxes (particularly business rates).
- 2.48 Any short or long term supply constraints in the event of a no deal Brexit may also increase the cost of delivering Council services.
- 2.49 Preparations for Brexit are delaying decisions on national policies which will impact on Local Authorities. This includes finalising the financial settlement for local authorities and confirming decisions on specific streams of project funding. Also, the preparations for Brexit impose an additional financial burden on local authorities.

What are we doing?

- 2.50 As part of the Local Government Finance Act, the Section 151 officer is required to determine the robustness of the budget and the adequacy of the level of the Council's reserves set against an assessment of a variety of risks facing the Council, Brexit being one such example. Our Budget setting process and

medium term financial strategy includes considerations around potential risks to the budget, including the impact of Brexit.

- 2.51 The Government announced (28th January) that they would make additional funds available to help Local Authorities prepare for Brexit. For Bradford this means that £210, 000 will be available, spread over two years 2019-2021 (£105,000 per year). The Government state that *Councils will decide how to allocate their funding. It is expected that money will be spent on resources like recruiting extra staff to ensure councils have the capacity to provide timely and accurate information to residents who have questions on how Brexit will affect them.*
- 2.52 Given this was announced only days before this paper had to be completed to feed into committee secretariat, we are now considering how best to target this money to support Brexit preparations and would welcome views from this committee on how best to use this additional funding.

2.53 Supply Chain Disruption

What are the potential issues?

- 2.54 Whilst the risk is currently low, there have been some suggestions that some supply chain issues might occur in a no deal Brexit. The most immediate issues often cited are:
- The impact of disruptions to supply chains caused by any delays in imports, price rises or panic buying/stockpiling which could create shortages of essential goods.
 - The impact of a general economic slowdown due to a range of potential impacts: labour market shortages, business relocations, supply chain difficulties, price rises leading to lower sales and profitability for companies.

What are we doing?

- 2.55 As part of our standard emergency planning approach, the Council has existing contingency plans for a number of scenarios. This includes a 30 day reserve supply of fuel and a standard contingency planning for fuel disruption. This will ensure that the council can still continue to run key services in the event of a disruption to fuel supply.
- 2.56 Services are reviewing existing contracts to identify impacts in the event of disruptions to imports coming from Europe, the potential impact on delivery and how this might be mitigated. This is most likely to be a problem for businesses that rely on “just in time” delivery, in the event of any problems at ports.

- 2.57 As the uncertainty around Brexit continues, the Council is preparing for an increase in demands for guidance, advice and reassurance, and for media stories about the impact of Brexit in terms of potential shortages to foodstuffs, fuel and supply chains for business.
- 2.58 We are working to develop how we can use ward networks, provide briefing and support to members in responding to questions on Brexit and providing scripts for Council contact centres to help reassure and advise the public on issues as they evolve.

2.59 Procurement Processes, Regulation and Inspection Systems:

What are the potential issues?

- 2.60 In a no deal exit, where the UK becomes a third partner, the whole systems of rules, regulations and procedures used in the EU can no longer be relied on. The key immediate issues are:
- The status of legal contracts and commercial arrangements with EU companies would be unclear because the UK would become a “third country” overnight.
 - Regulation and inspection framework changes may impact on Bradford Council services, other public sector partners and businesses.
 - Increase in demand on environmental health if there are increased demands for inland inspection and increased demand for Export Health Licences.

What are we doing?

- 2.61 Work with national government is on-going to develop understanding of what will replace the OJEU procurement framework. The government position is that *a replacement UK-specific e-notification service will be made available. Changes to the procurement rules will be made via amendments to existing legislation, to ensure continued operability.*
- 2.62 The Council is undertaking a review of existing contracts with EU providers. Services are conducting reviews of their own contracts and how they might be affected by different Brexit scenarios.
- 2.63 Existing contracts that cover critical supplies essential to continuing service delivery are being reviewed to assess resilience to supply chain disruptions.

2.64 Communications and Community Leadership

What are the potential issues?

- 2.65 If the current levels of uncertainty continue, we are expecting an increase in demand for advice and guidance services and leadership, as business, community groups and residents look to the Council for reassurance and information.

What are we doing?

- 2.66 The Council is preparing for an increase in demands for guidance, advice and signposting services. This will cover all the key issues identified earlier and include our partnership working. We are developing a corporate communications strategy. Lead officers have been identified and planning discussions are taking place. As noted above, the strategy will address a range of areas. It will include ensuring training and guidance is available to support both members and officers; preparing scripts for contact centres; the development of signposting services and work with ward officers and neighbourhood teams. More generally, it will include ensuring we have signposting to guidance and advice services offered by Government, public sector partners, voluntary and community organisations and business sector partners, such as the Chamber of Commerce and West Yorkshire Combined Authority.

3 OTHER CONSIDERATIONS

- 3.1 There is a great deal of work taking place in regional bodies such as the WYCA. For example, issues relating to trading standards are dealt with at this level. Government is working with LRFs on contingency planning.

- 3.2 Brexit clearly has implications for many of our partners and we are working with them. This includes the following activity:

- NHS - we are keeping in touch with the leads in each local NHS organisation working on the implications of Brexit and making sure there is alignment to our own approach; especially on workforce and supplies of critical medicines (in a no deal Brexit).
- Police - we are working closely through the Local Resilience Forum framework to understand the issues raised by a no deal Brexit and how we prepare for these.
- CVS sector - we attended a CNet event on Brexit and are working with the VCS alliance on issues related to Brexit. This includes encouraging the sector to apply for the Home Office funding scheme to support vulnerable EU residents to achieve settlement status.
- Business community - we are working with partners, such as the Chambers of Commerce and the Combined Authority Local Enterprise Partnership, to understand the current views and plans of the business community, and doing what we can to roll out supportive communications through our economic development teams.

- Bradford University – we are in regular dialogue with the University on the workforce and research implications of Brexit.

4. FINANCIAL & RESOURCE APPRAISAL

4.1 The budgetary implications are difficult to estimate– especially given that the type of Brexit is unknown, although there is provision in the Budget. HR is leading on support for employees with the settlement scheme. A communication strategy will be crucial to the Council’s Leadership role and is being developed.

4.2 The overall financial and resource implications will depend on which Brexit scenario unfolds.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

5.1 Brexit affects all the service provision and governance functions of the Council.

6. LEGAL APPRAISAL

6, 1 Unknown, as yet, and will depend on the outcome of Brexit.

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

7.2 The full impact of Brexit on protected groups is unknown and will, in part, depend on the type of Brexit.

7.2 SUSTAINABILITY IMPLICATIONS

7.21 These are unknown as yet.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

7.31 None directly arising from this report.

7.4 COMMUNITY SAFETY IMPLICATIONS

7.41 We are working with the Police and the Local Resilience Forum to understand and mitigate for any potential threats that might arise.

7.5 HUMAN RIGHTS ACT

7.51 None directly arising.

7.6 TRADE UNION

7.61 Will be consulted, where necessary, in relation to workforce issues.

7.7 WARD IMPLICATIONS

7.71 Unknown, as yet, but neighbourhood teams will play a role in monitoring area impacts and offering guidance and advice where necessary.

7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)

7.81 None directly arising from this report.

7.9 IMPLICATIONS FOR CORPORATE PARENTING

7.91 Identified in section 2 in relation to Looked After Children.

7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

7.11 None arising.

8. NOT FOR PUBLICATION DOCUMENTS

8.1 Not applicable.

9. OPTIONS

9.1 Not applicable.

10. RECOMMENDATIONS

10.1 That the Committee note the report and offer their views on the issues and actions identified.