

Report to	-	Audit and Standards Committee
Date	-	10 December 2018
Report of the	-	Executive Directors
Subject	-	UK exit from the European Union (Brexit)

Recommendation: It be **RESOLVED:** That the report be noted.

Background

1. At the meeting on 24 September 2018, Members requested that consideration be given to the Strategic Risk Register in order to take into account the potential effects of the impending departure of the United Kingdom from the European Union (EU).
2. Members will be aware that in Rother, at the referendum held on 23 June 2016, 58.5% of those taking part voted in favour of leaving the EU compared to 41.5% voting against, with a turnout of 79.3%.
3. A scenario in which the UK leaves the EU without agreement (a 'no deal' scenario) is said to be unlikely given the mutual interests of both the UK and the EU in securing a negotiated outcome. However, until we can be certain of the end result it is appropriate to consider the potential impacts.

Discussion

4. This is a highly political area and it is important to try and assess the risks as neutrally as possible. The Government has published a series of 105 technical notes (plus an overview) that set out information to allow authorities, businesses and citizens to understand what they would need to do in a 'no deal' scenario, so they can make informed plans and preparations.
5. A summary of the technical notes to date has been placed in the Members' Room and is available by email to any Member wishing to explore the links further.
6. The Local Government Association has also published a summary for Councils (up to 8th October), which can be found at:
<https://www.local.gov.uk/parliament/briefings-and-responses/brexit-no-deal-briefing-councils>
7. To date, many of the notices indicate systems, process or agreements that the Government expects to establish to manage a 'no deal' situation. It can therefore be expected that further information will emerge as we near the date of exit to develop the information in the technical notes further.
8. It should be noted that although the Council will not be able to address many of the issues directly, it may well have to respond to them.

9. There are of course implications to other businesses, along with impacts on communities. The risks of these implications, along with their impact and potential mitigation, are shown in Appendix 1.
10. These items are covered under the categories of:
- Strategy and Policy
 - Impact on communities
 - Impact on the economy
 - Impact on the Council

Other Brexit Options

11. There is much national debate about the benefits or otherwise of Brexit, particularly in relation to the economy. The Cabinet Office has produced a document entitled “Alternatives to membership: possible models for the United Kingdom outside the European Union” which can be found at [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/504604/Alternatives to membership - possible models for the UK outside the EU.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/504604/Alternatives_to_membership_-_possible_models_for_the_UK_outside_the_EU.pdf)
12. For the purposes of this report it is not intended to discuss the alternatives in detail and many of the issues identified with a ‘no deal’ Brexit are likely to apply to a greater or lesser extent to any of the options.

Conclusion

13. At the time of writing this report, it has been very difficult to plan with any degree of certainty and the information in Appendix 1 is not intended to be an exhaustive list nor will it be a static document. Officers will continue to monitor the situation and will keep Members up to date as changes occur. Any changes to the Council’s budgets or policies will be brought to Members for consideration and approval.
14. Work on the impacts etc. of Brexit could potentially consume a large amount of resource that this Council simply does not possess. Officers will therefore enter into discussions with other East Sussex Councils and the Sussex Resilience Forum about the possibility of joint work around the major strategic risks.

Malcolm Johnston
Executive Director

Risk Assessment Statement

Although there is still uncertainty around what the final Brexit deal will look like it is important that potential implications and what can be done about them are considered. The risk of not doing so is that the Council will find itself unprepared and unable to assist or take action when necessary.

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for Controls	Mitigation
The Council's access to European funding reduces. The district's capacity to work independently within East Sussex, SELEP and national structures is also reduced.	M	H	H	It is likely the ability to develop and seek support for Rother focused and led projects will be diminished. The current systems allow the Council to work in and out of different funding programmes. Post Brexit it is possible reduced funding will be more narrowly focused and access for districts reduced by strengthened regional structures.	Leader SMT	Ensure Rother is effectively represented at county and regional partnerships. Resources invested in leading projects on behalf of partners. Maintain lines of dialogue outside formal structures.
Urban and northern focus of UK Government results in loss of the current limited focus on the coast.	H	H	H	It seems likely that LEP and regional structures together with city regions and mayors will be dominant if resources are restricted. Funding will not focus the south of England.	Political Leadership SMT	It will be critical to renew the structure of coastal and regional partnerships we operate in order to maximise influence and benefits.
Economic downturn prevents major capital projects like high speed rail extension to Bexhill proceeding.	M	H	H	Huge if this happens. Return in investment is already better for projects close to urban areas/big development areas.	Political Leadership SMT	To work with partners at all levels to advance our case.

Impact on Communities

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for Controls	Mitigation
An increase in inter-community tension caused by friction around exit or a re-run referendum.	H	M	H	The individual impact of a hate crime will be high for the victim(s). The impact on community relations will depend upon both the number/nature of incidents and how they are responded to.	Members SMT Staff Police	The Council should work with community partners, police and others to prepare and inform the area and campaign for an open and inclusive Rother. Partners need to make clear the zero tolerance for hate crimes.
More widespread disorder.	L	H	M	It seems unlikely a major political disorder would take place given the area's history. However, if this does, this could be very damaging to community relationships and the area's reputation.		Work with Police and other partners to monitor tensions.
An increase in poverty if there is economic downturn.	M/H	M/H	H	Potential for increased benefit dependence, unemployment, and child poverty. Possible increase in homelessness. However this is challenging to quantify.	LEP DWP Councils	It is impossible to predict the economic impact on specific communities at this stage. It is critical that both County and Rother based welfare and housing partnerships work in a coordinated way to understand increases and changes in the nature of poverty.

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for Controls	Mitigation
Eligibility of existing EU claimants may be brought into question.	L	H	L	Possible increase in demand on other service areas such as homelessness.	DWP Councils	Guarantees have been given that EU nationals already resident will not be affected so although needs to be included is considered a low risk.
Food, medicines and other critical supplies are not imported from the continent and supplies run out/short supply.	Not known	H	Not known	If this appears likely there might be panic and disruption. There might be the need for rationing. The severity would depend on what was unavailable and particularly the duration of any shortages.	SMT	Unknown. The Council would need to work with national and local agencies to address this risk. The Council would expect national markets to be produced and co-ordination of efforts by the Sussex Resilience Forum.
Loss of opportunities for external funding may impact deprived communities. Alternatively funding could be focused on other priority themes and areas, not applicable to Rother's socio-economic profile.	M	H	H	A downturn and reductions in public expenditure will mean social projects funded through the EU will not be replaced or be partially replaced.	Political leadership SMT	Work with other LAs, health and partners to lobby for successor funds to current European social programmes.
EU nationals will not have rights to stand for election or vote unless an agreement.	M	L/M	M	The electoral roll would need to be reviewed with potential staff impact.	Electoral Registration Officer/ Returning Officer	To be kept under review as negotiations proceed.

Impact on the Economy

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for Controls	Mitigation
Drop in local gross domestic product and gross added value.	H	M	H	Impact on local companies and employment.	SMT	Carry out further research. Work with LOCATE, Chamber and East Sussex partners to assess and mitigate impact.
Tourist industry hit by both travel issues and image of a welcoming place.	H	M/H	H	The reduction in visitors could have a substantial local impact leading to job losses.	SMT	To re-assess approach to monitoring to ensure Rother is maintaining its position in partnership with 1066 partnerships. To consider how cultural offer is developed in these circumstances.
Business failures due to reliance on EU labour.	H	H	H	Could be significant in certain sectors. Could also lead to reduced income to the Council from Business Rates.	SMT	To be kept under review and continue to work with partners.
Slowdown in housing construction due to reliance on EU labour or unfavourable market conditions.	H	H	H	Failure to meet identified local need for new housing. Also loss of income to the Council from planning application fees, community infrastructure levy and Section 106 contributions	SMT	To be kept under review and continue to work with partners.
Local firms that export to or import from Europe may be adversely affected.	M	M	M	Difficult to scale.		Seek research in partnership with business, Sussex Chamber, ESCC and LOCATE to identify this risk across East Sussex.

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for Controls	Mitigation
Adverse impact on fishing industry.	H	M	H	The fishing community in general has argued for Brexit and/or reduction of regulations. A no agreement exit might mean restrictions are lifted. Boats from the rest of UK might fish locally if denied access to European waters.	SMT	To review as the impact of exit becomes closer.
Impact on VAT.				Potential implications for the classification of goods and limits, both of which are currently set by the EU.	SMT	To be kept under review.
Reduced national fuel supplies due to new import and border check arrangements.	L	H		Employees unable to get to Council offices. Waste and Recycling service disrupted and household waste not collected causing potential public health implications.	SMT	Work with regional emergency plan protocols to ensure priority access to available fuel supplies.

Impact on the Council

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for Controls	Mitigation
Economic downturn could delay the development of council owned sites.	M	M/H	H	It is not possible to seek the size and duration of any economic downturn	SMT	Projects may have to be delayed until the economy recovers.
Economic downturn could lower the return on council investments.	M	M	M	Income the Council is anticipating drops.	SMT	Investment programme to be reviewed.
Increased bad debt provision through business failures.	M	M	M	Anticipated income will be lower.	SMT	Work with local and national partners to monitor the situation.
Future procurement rules are more complex or are unclear.	M	M	M	This may be beneficial if EU procurement is replicated with something less burdensome. However, there can be no guarantee of this		To ensure RDC conforms to new regulations as they are introduced
Pressure on services increases in poverty and unemployment rise as part of a downturn.	M	M/H	H	This is impossible to predict. Pressure on Housing and Benefits and the Community Contact Centre could be serious. Additional need for grant aid to advice services like CAB may be called for.	SMT	<p>To work in partnership with East Sussex partners if crisis in welfare or homelessness emerges.</p> <p>To review staffing as appropriate to lobby Government for resources if such problems can be realistically anticipated and scaled.</p>
Loss of external funding.	M	M	M	EU funded projects may not proceed.	SMT	Identify other sources of funding.

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for Controls	Mitigation
Potential implications for existing staff who are EU nationals or who have family who are EU nationals.	M	M	M	Currently being assessed.	SMT	Assistance will be offered to staff who need it. HR will extend right to work checks.
The Council does not understand the changes that will take place that might give opportunities or challenges for local businesses.	H	M	H	To be assessed. This is something that might be approached with East Sussex/Team East Sussex partners.	SMT	To discuss with partners to examine how this can be taken forward for Brexit work
Drop in demand for services if population decreases	L	L	L	It is difficult to assess without research to establish the level of demand from EU citizens or a clear view of the numbers likely to leave.	SMT	If demand dropped sufficiently staffing would need reviewing. This seems relatively unlikely.
Supply chain risk.	L	H	M	Mainly related to external suppliers of vehicles, plant and equipment used by contractors to the Council.	SMT	Early discussions with contractor to identify any issues over their supply chain.