

ITEM No ...7.....

REPORT TO: POLICY AND RESOURCES COMMITTEE - 7 JANUARY 2019
REPORT ON: BREXIT UPDATE
REPORT BY: CHIEF EXECUTIVE
REPORT NO: 13-2019

1. PURPOSE OF REPORT

This report provides information on developments in the Brexit process and outlines work being done to prepare for the implications.

2. RECOMMENDATIONS

It is recommended that members:

- (i) note developments in the Brexit process.
- (ii) note the work being done to prepare for the implications.

3. FINANCIAL IMPLICATIONS

None.

4. THE LATEST DEVELOPMENTS WITH BREXIT

- 4.1 The UK is scheduled to leave the EU on 29 March 2019, although there is planned to be a transition period until 31 December 2020 (or perhaps later) to get everything in place, allowing businesses and others to prepare.
- 4.2 At a European Council meeting on 25 November 2018, the UK Government and EU agreed two documents - a draft Withdrawal Agreement which sets out the terms of the 'divorce' (including the money the UK owes the EU, and the rights of citizens) and a Political Declaration which sketches out the kind of long-term relationship the UK and EU want to have in areas such as trade, travel and security.
- 4.3 The draft Agreement was debated in the UK Parliament and there was due to be a 'meaningful vote' on 11 December. This vote was postponed when it became clear to the Government that the draft Agreement would not be approved. A vote is now likely to be held in January. If the draft Agreement is not endorsed, there would then be 21 days for Parliament to identify an alternative course of action. Options seem to be a further vote in Parliament (with MPs perhaps reconsidering their positions following reaction to the first), more negotiations on a further draft Agreement, a so-called People's Vote (another referendum) or a General Election.
- 4.4 If the current draft Agreement is approved, the expectation is that there will be little immediate obvious change for most people, although many of the politically difficult decisions around Brexit will remain to be resolved by further discussions during the transition period. Should the UK leave the EU with No Deal in place, there will be significant implications - legislation will be required in both UK and Scottish Parliaments and both Governments' resilience arrangements will be formally activated. There are contingency plans to deal with delays at ports and ensure supplies of food, fuel, medicines etc which will require to be deployed. If there is to be a 'third way' - such as more negotiations, another referendum or a General Election - the outcome remains uncertain.

5. DUNDEE CITY COUNCIL'S PREPARATIONS

5.1 Citizens

Officers have been keeping up-to-date with developments on the scheme to allow EU citizens and their families to continue to live and work here after Brexit. This will involve them applying online to obtain settled or pre-settled status. The cost will be £65 for adults and £32.50 for under 16s. The online application process is currently being piloted in a number of areas. The Council will help to publicise the scheme, and Central Library has registered to be involved in helping people who don't have the access, skills or confidence to complete an online application. The Council may need to apply on behalf of any 'looked after' children who are EU citizens.

5.2 Workforce

Work continues to attempt to identify the EU citizens in our workforce, both to assess the potential impact on services and to allow direct communication with the employees concerned (eg about their rights to obtain settled status) 29 EU citizens have provided details of their nationality so far but we believe the total number of EU citizens in our workforce to be around 90-100, so work to obtain more accurate information continues. We also expect there will be a number of EU citizens working for other organisations which are commissioned to provide services on the Council's behalf (eg in home care). The Settlement Scheme application process is being piloted with health and social care workers, so relevant staff have been given information about that pilot. The current assessment is that workforce issues presented by Brexit do not pose a significant risk to the delivery of Council services.

5.3 Funding

Previous reports have outlined that Dundee City Council (and other organisations in the city) benefit from a wide range of EU funding from key programmes such as ERDF, ESF, INTERREG and Horizon 2020. Failure to replace these would have a significant impact on services, research and development, policy development and learning from best practice. Dundee City Council delivers a range of employability, financial inclusion and business support projects using ERDF/ESF, alongside recent approvals related to Smart Cities and low carbon.

Funding secured by Dundee City Council in the 2014-2020 programme currently stands at circa £7 million over the nine currently approved projects (Business Gateway, Employability Pipeline, Smart Cities Data Platform, Smart Cities Safety Centre, Smart Cities Mobility, Smart Cities Waste, Low Carbon Travel and Transport, Low Carbon Infrastructure and Social Innovation).

The UK Government has committed to create a new fund - the UK Shared Prosperity Fund - but there has been little detail on how much will be available or how this will be allocated. A key priority over the next few months will be to engage in consultations about the Fund to try to ensure that Dundee's interests are protected. The Council hosted a 'pre-consultation' event where Government officials sought views from those who currently administer European funding on how this works in practice and how it could be improved.

If there is not sufficient alternative funding sources to support projects for which we currently receive EU funding, we will have to re-assess our priorities. Impacts and mitigations are being more fully assessed.

5.4 Council Finances

An initial assessment has been made of the potential impact on the Council's capital and revenue budgets. The cost of capital projects could increase if tariffs are introduced or the value of sterling falls further, or if labour costs rise because the supply of workers from EU countries decreases.

There is also a potential impact on the cost of borrowing if less money is available and interest rates go up.

5.5 Local Economy

The City Development team is working with the Chamber of Commerce to promote events which inform businesses about the possible impact of Brexit, although this remains uncertain given the continuing negotiations on a trade deal and customs arrangements. The concern is that economic uncertainty may lead to a lack of investment and slowdown in the economy. Longer term, there are concerns about access to markets, recruitment and retention of staff, changes to regulations, and the cost and availability of supplies - all of which will depend on the details of the trade deal negotiated between the UK and EU. Analysis published by the UK Government in November suggested that the UK economy could be up to 3.9% smaller after 15 years if the Government's Brexit plan is agreed, compared to 9.3% smaller with a 'No Deal' Brexit. The Bank of England suggested the UK economy could shrink by 8% in the immediate aftermath of Brexit if there is no transition period.

5.6 Liaison with COSLA/Professional Bodies/ESEC

Officers continue to liaise with the Convention of Scottish Local Authorities about work being done nationally on behalf of all Councils, and services have been asked to identify any specific impacts on them so this can be fed into COSLA's national discussions. COSLA is also working with relevant professional bodies to identify any particular areas of concern (eg with the Chartered Institute of Environmental Health on food issues). COSLA Leaders meeting on 30 November backed calls for a second referendum. The Council is also involved in the East of Scotland European Consortium, a group of seven local authorities concerned with EU policy developments, EU funding and its replacement. ESEC's role to date has been mainly concerned with highlighting funding opportunities and facilitating project development, as well as influencing EU policy, but it is playing an important role in keeping member authorities informed of Brexit developments.

5.7 Brexit Advisory Team and Cross Party Group

Two groups are co-ordinating preparations for Brexit - an officers' Brexit Advisory Team and a Cross Party Group of Councillors, MSPs and MPs - and these continue to meet to plan what we need to do and agree positions on which to lobby the UK and Scottish Governments. The Cross Party Group has heard presentations from senior officers at Dundee & Angus College, the Universities of Dundee and Abertay, the James Hutton Institute, the Chamber of Commerce and our neighbouring Councils.

5.8 Website

A new page about Brexit has been created on the Council's website. This contains links to information for citizens and businesses which will be added to and updated as more details become available.

6. **THE WAY FORWARD**

- 6.1 Much of what we have to plan for will depend on political decisions. Work will continue bearing in mind all possible options, but it is fair to say that serious consideration is now turning to the worst case scenario of a "No Deal" Brexit. On behalf of local government, COSLA is seeking to work with both the Scottish and UK Governments on areas identified as key or particularly problematic. As well as consulting with Councils, they are also working with professional associations to identify any key issues for their service which may have cross-country legal and/or resource implications. COSLA will also be involved in any resilience arrangements activated by the Scottish Government through SGoRR (the Scottish Government Resilience Room in the event of a "No Deal" Brexit). This acknowledges that, working alongside national politicians, local political support, understanding and coordination will be crucial over the next few months if we are to maintain cohesion and local economies.

- 6.2 At a local level, the Council is involved in LARGS (Local Authority Resilience Group Scotland) and the Tayside Local Resilience Partnership which includes emergency planning leads from key organisations including the local authorities, NHS Tayside and Police. Plans are already in place to deal with interruption to commodities such as fuel.

7. POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environment Assessment, Anti-Poverty, Equality and Risk Management. There are no major issues.

8. CONSULTATIONS

The Council Management Team has been consulted in the preparation of this report and agrees with its contents.

9. BACKGROUND PAPERS

None.

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CHIEF EXECUTIVE

DATE: 18 DECEMBER 2018