

County Council

15 October 2019

Warwickshire County Council Brexit Preparation

Recommendation

That Council note the approach and progress made by the County Council in preparing for Brexit on 31 October 2019.

1.0 Background and Context

- 1.1 Following the Referendum result in 2016, the UK government has sought to negotiate the exit of the United Kingdom (UK) from the European Union (EU).
- 1.2 The UK was originally scheduled to leave the EU on 31 March 2019 and a report was presented to County Council in March 2019 setting out our preparations for our own business continuity, community and business in Warwickshire.
- 1.3 An extension was sought by the central government in March 2019 and the Government's current intention is that the UK will leave the EU on 31 October 2019.
- 1.4 This report builds on the work of the report submitted to Council in March 2019 and seeks to further assure Members that the County Council is responding and preparing for Brexit in line with national guidance and local need and is well placed to respond effectively to any change in circumstance.
- 1.5 Much of the analysis carried out in March remains relevant today, although greater emphasis has been placed on understanding the medium to longer term risks, as well as preparing for the immediate risks.
- 1.6 The report gives the latest position as at the w/c 7 October 2019. However, as this is a fast moving agenda, there is the potential for further change after the report is published and any significant changes will be reported verbally to the meeting.

2.0 Approach to date

- 2.1 The County Council's approach to Brexit preparations has been both proactive and pragmatic. Its primary responsibility is to be able to continue to provide local services and where possible, manage disruptions to residents, businesses and the county as a whole in the short term, whilst being aware of the longer term risks and mitigating actions that can be taken.
- 2.2 The Council has set up a dedicated, prominent link on its website to signpost residents, businesses and organisations to enable access to information and advice on Brexit, particularly on the EU Settlement Scheme.
- 2.3 Reflecting the County Council's role as both a provider of key services and as a leader of place, our work has focused on three main strands:
- Understanding the potential risks for business continuity for WCC
 - Understanding the potential risks for businesses
 - Understanding the potential risks for our communities
- 2.4 Preparations for Brexit have been accelerated in recent months. All Local Authorities have been asked to appoint a Brexit Lead Officer (BLO) and in August 2019 Mark Ryder, Strategic Director for Communities took on the role for WCC. As a County Council we have also received £262,500 direct funding from Central Government to support our preparations to date.
- 2.5 Preparation activity is coordinated and provided through a cross-organisational officer working group, with key service leads and representatives from legal, HR, finance and communications meeting weekly.
- 2.6 The group has coordinated the development and management of a number of key elements to our preparation for Brexit, notably:
- WCC Risk Assessment
 - Risk identification and mitigation - strategic and operational
 - Dedicated action plans and support offers for community and business
 - Alignment to the work of the Warwickshire Local Resilience Forum and regional partners
 - Informing business continuity plans for WCC Critical Services
 - Brexit Communication Plan
 - Schedule of activity including regular Member and Officer update from the Brexit Lead Officer
 - Updated website and intranet pages offering a signposting service to local and national resources - www.warwickshire.gov.uk/brexit

- Coordination of communications
- Information and intelligence sharing
- Reporting alignment
 - Coordinating responses to Freedom of Information requests
 - Undertaking weekly reporting to Ministry of Housing & Local Government (MHCLG) and disseminating feedback within WCC and with partners
- Brexit Funding plan
 - Identifying and assessing additional resource requirements
 - Allocating Brexit related funding

2.7 The Council is working closely with partners across Warwickshire, the West Midlands and nationally, to improve our assessment of the potential risks at the sub-regional and regional levels and to coordinate effort and mitigating actions where appropriate. Partnerships include:

- **District and Borough Councils** – exploring coordination of funding, events, communications and mitigation of impact within Warwickshire.
- **The Warwickshire Local Resilience Forum** - Contributing to a high-level multi-agency risk assessment; engaging in scenario planning; and participating in weekly strategic teleconferences for lead officers.
- **The Local Enterprise Partnership** – Sharing issues with business leads, Universities, The Chamber of Commerce, the Coventry and Warwickshire Growth Hub and other key partners to support reporting to the Department of Business Energy Industrial Strategy (BEIS).
- **The West Midlands Combined Authority** – Sharing approach and exploring opportunities for activity and responses which work best at a regional level. Participating in the WM Brexit commission (led by Birmingham CC) and the associated technical groups
- **Local Government Association and County Council Network** – Understanding and informing the national picture on Brexit and specific impacts for Local government and County Councils.

3.0 Brexit Risk assessment

3.1 Following guidance issued by the Ministry of Housing and Local Government (MHCLG) an assessment of the potential risks and associated mitigating actions of EU Exit has been undertaken for all WCC statutory and regulatory services.

3.2 In parallel, all business continuity plans for critical WCC service areas have been reviewed in March and again over August and September 2019. These

include many of its statutory services as well as high profile services such as Fire and Rescue.

- 3.3 A similar, multi-agency risk assessment has been conducted by the Local Resilience Forum with a focus on civil contingencies and emergency planning.
- 3.4 Whilst elements of the risk assessment described above relate to specific details of civil contingency planning and are thus considered sensitive and exempt from disclosure under Freedom of Information (FOI) legislation, the intention of this report is to provide Members with a level of assurance that issues have been identified and the mitigating actions taken wherever possible.
- 3.5 The following section sets out the key areas of potential risks in terms of both the immediate period after the UK exits the EU and the medium to longer-term. The County Council's risk assessment has made a distinction between understanding short-term risks and identifying medium to longer term risks.
- 3.6 Short term risks have primarily been addressed through Business Continuity Plans and the work of the Local Resilience Forum, whilst medium to longer term risks will be actively monitored together with our partners and the Forum, and any wider impact on the Council will be addressed in our future organisational planning including our Medium Term Financial Strategy and Commissioning.

3.7 Understanding the impact for Business continuity

- **Short term disruptions to service delivery** - There is a recognised risk of short term disruption across a range of WCC services related to disruptions to transport/travel and supplies affecting directly provided and contracted services. Based upon the Risk Assessment, the WCC services assessed to be of particular significance in a No Deal Brexit are :

- Social Care – market and provider sustainability/viability
- Trading Standards – increased demand
- Schools – supply chains and services
- Childrens Services, Looked after Children - Settled Status
- Warwickshire Fire & Rescue Service

Leadership Team also undertook a Business Continuity Scenario exercise in September 2019. Business continuity plans for all Critical Services have been reviewed to identify and where possible, take, mitigating actions for identified risks.

- **Increase demand for WCC services** - Exiting the EU could result in an increase in demand for specific WCC services. This primarily relates to the regulatory work of Trading Standards, the Resilience Team, and the work of Warwickshire Fire & Rescue Service. Assistants Directors have sought to quantify this and our Brexit funding will be targeted at these areas as a priority to ensure WCC can respond to the demand increase.
- **Supply chains and Procurement** – EU Exit presents a recognised risk to WCC supply chains and a disruption to sourcing goods and services and a potential change to procurement legislation and processes. A further risk associated with an increase in the costs of goods, services and tariffs e.g. waste have also been identified. The procurement service is engaged in a regional exercise to better understand the potential implications on key supply chains in terms of workforce, future costs/prices pressures and the potential impact for regional procurement.
- **Workforce** – The immediate impact on the WCC workforce relates primarily to concerns relating to access to work, but this is broadly covered by business continuity planning. In the medium to long term there is a recognised need to support staff in applying for Settled Status ahead of the December 2020 deadline. There are also wide risks related to potential skill shortage in a number of areas, notably for social care providers.
- **Finance & funding** – Risks relating to funding are primarily seen as medium to long term and include: the replacement for EU funding, changes to the basis for allocating central government funding to local authorities due to a perceived different risk/need profile, the impact on business and domestic tax bases both nationally and locally, market uncertainty.
- **Pensions and investments** - The exposure of WCC investments, including the pension fund have been assessed as low risk. There is however a longer-term risk to WCC funding should there be a negative impact on the wider economy. This will be continually monitored and addressed within WCC’s organisational planning and Medium-Term Financial Strategy.
- **Legal & Regulatory frameworks** – EU Exit presents a potential change to the regulatory, legal and procurement frameworks within which the Council operates. The County Council continues to review all relevant legislation, monitoring the impact of proposed changes and national guidance.

- **Data & information** – In line with updated national guidance the County Council has undertaken the necessary assessments and reviewed the relevant business continuity plans, Data Privacy Input Assessments (DPIAs) and audit reports to assess the impact of EU Exit on all ICT and data handling that impacts the Council. The County Council knows where the council's data is held; whether services used are hosted in the EU; and what data such services cover. Audits have been undertaken of information systems and any risks have been rated on a RAG basis with action plans agreed to deal with any red or amber risks. Contact is also being made with other Data Protection Officers around the UK to ensure we learn from work being undertaken elsewhere. Assurance can be given that contingency plans are in place for considering the potential impact of a 'no deal' scenario hindering the flow of information across the EU border.

3.8 Understanding the impact for Warwickshire communities

- **Settled status** - Supporting Warwickshire citizens. The Government has issued a national awareness campaign and we are using our dedicated Brexit webpage to signpost people to the relevant information.
- **Community cohesion** – Any short term issues are being addressed by the multi-agency Local Resilience Forum.
- **Vulnerable communities** - There is a recognised concern over the potential short and longer-term risks to vulnerable communities in Warwickshire. These could arise from any downturn in the economy and/or impact of price inflation/cost pressures, leading to financial hardship for individuals and families, which may be felt more severely when coupled with other policy changes. Financial poverty will impact on both the Council's need to provide welfare support and the risk on more households qualifying for council tax discounts. WCC has initiated discussions with District and Borough Councils and the voluntary and community sector to coordinate and target support as required.
- **Homelessness** - The impact of Brexit on existing support to homelessness is currently being monitored.

3.9 Understanding the impact for Warwickshire business

- Nationally and locally, there is concern about the level of and ability of businesses to prepare for Brexit, given the uncertainty over a deal with the EU, leading to 'fatigue' in the business community. . The immediate impact will be on those who undertake import/export with the EU (and/or

countries that the EU have trade agreement with that we currently benefit from). The Coventry and Warwickshire LEP and WMCA partners are working together to improve their intelligence on the potential impacts under various scenarios and developing packages of support for businesses.

- The key sectors that have been identified within the county as being most vulnerable to a “no deal” scenario are:
 - The automotive sector - a large and significant (some 35,000 directly and indirectly) number of people are employed in the automotive sector or its supply chain in Warwickshire. The integrated supply chain across the EU means that the sector faces potentially significant delays and additional costs if future trade arrangements cannot be agreed. Many automotive companies are stockpiling component parts, looking at reducing production in the period immediately following Brexit to mitigate potential shortages, and exploring alternative supply chain arrangements. The automotive sector is an important part of the wider manufacturing sector in the county. Much of the sector imports and exports goods and materials which may be impacted by a No deal. The sector is also expressing concerns around future trade arrangements and the potential impacts on their business models.
 - Agriculture - While a relatively small contributor to total economic output in the county (c. 2%) and employment (c. 3,000), the sector has a distinct indirect benefit to the wider rural economy and tourism sector in Warwickshire. It is a sector that has been identified as facing issues. The issues are three-fold – access to seasonal labour, the high trade barriers that exist for agricultural products under World Trade Organisation (WTO) rules, and the concessions that may be needed on agricultural products in any future trade deals.
 - Service sector industries that are reliant on EU migrant labour (particularly tourism, retail and health & social care). The Coventry & Warwickshire area has a higher than average proportion of non-UK born workers (c. 15% of the workforce locally), coupled with very low unemployment rates. As a result, the local area could be affected by a reduction in the availability of non-UK workers as there is very limited slack in the labour market.
- Recent research from the British Chambers of Commerce Trade Survey, and the Coventry & Warwickshire Quarterly Economic Survey, show that more than 50% of business in the area have not undertaken any formal Brexit Planning. Given the potential wide ranging implications of Brexit on business activity, there is a need to ensure that our business

community (particularly small to medium sized enterprises) are better prepared for the potential changes.

- As we approach the 31 October, the media and communications around preparing for Brexit is intensifying. Given the potential volume of materials, it is felt to be crucial that local partners who play a role in business support are undertaking work in a co-ordinated and collective fashion. This will help minimise duplication, maximise the use of our respective resources, and reduce confusion to the business community.
- Warwickshire County Council has therefore been working with the Coventry & Warwickshire Chamber of Commerce and the Coventry & Warwickshire Growth Hub (who are both integrated into the WMCA work on this agenda), Coventry City Council and the Federation of Small Businesses to develop an integrated package of support. This partnership has taken advantage of a funding opportunity announced by Government to provide resources to undertake local business support activity, and has secured funding of £84,000 to provide a range of activities and support. The main focus of the work is a comprehensive marketing and communications campaign to reach out to businesses in our region to raise awareness of the kinds of issues they may face as a result of Brexit and highlight the support that is available to help them prepare. This campaign will be complemented by a series of events and workshops to help companies get to grips with the details and get practical advice from expert advisers. Research will also be commissioned to explore how Brexit is affecting businesses in the area and challenges and opportunities for key sectors for our region. This will help guide our future activities up to and beyond 31 October.
- The County Council will be working with its delivery partners for this business support activity and supporting this marketing campaign, and the wider complementary campaign being run by central government, with communications and signposting through our website and business advisors. Our website is regularly updated and provides the links of key sites and information sources. Work is coordinated by a dedicated and resourced communication plan.
- In addition to this work, Warwickshire County Council is also exploring whether there is any need for additional specific business support activity for our social care provider network, and also what further Brexit readiness activities could be undertaken by our Trading Standards team. Warwickshire County Council are also in dialogue with the Coventry & Warwickshire Growth Hub to explore if there are any additional activities they could undertake within the county, utilising some of the funding that we have received to support Brexit preparations.

4.0 Timescales associated with the decision and next steps

- 4.1 The Brexit Group will continue to coordinate WCC activity and responses. Business Continuity and action plans for Community and Business will be

actively pursued and the Risk Assessment continually reviewed, based upon emerging guidance and intelligence.

- 4.2 Reflecting the current Risk Assessment, work will extend beyond 31 October 2019 and continue to monitor and address the medium/long term identified issues.
- 4.3 Structured and proactive signposting, communication and engagement aligned to local and regional partners will continue as well as further engagement and compliance with central government guidance and awareness events.
- 4.4 Progress will be overseen by the Corporate Board and reported to Members on a regular basis. A further report will be submitted to Council in December 2019 to update on the position post-Brexit.

5.0 Financial Implications

- 5.1 WCC has received £262,500 of Government funding to support Brexit preparations and the use of these funds is directed by our Brexit Lead Officer, based on the full Risk Assessment and input from officers on the Brexit Group. Funds will be used to deal with preparations to mitigate potential short term disruptions to services, business support and support for vulnerable individuals and communities as well as addressing the medium-long term risks as outlined in the report.
- 5.2 Any wider, medium term financial implications for WCC will be picked up as part of the Council's organisational planning and Medium-Term Financial Strategy.

Background papers

None

Supporting paper

EU Exit WCC Impact assessment, County Council - March 2019

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The report was not circulated to members prior to publication.