

People and Communities and Economic Growth Overview and Scrutiny Committees

Dorset County Council



Date of Meeting	11 October 2017 16 October 2017
Officer	Matthew Piles, Service Director - Economy
Subject of Report	Implications of Brexit for DCC
Executive Summary	Policy and funding challenges and opportunities will occur as a result of the withdrawal of the UK from the European Union. This report considers how Brexit is likely to affect the Council, and proposes how the Council should dedicate its resources to planning, preparing for, and shaping future policy.
Impact Assessment:	<p>Equalities Impact Assessment: This report contains no new strategy/policy/function, so no EQIA has been completed</p>
	<p>Use of Evidence: The report has been developed based on the current DCC Policy Framework with reference to the Corporate Plan and the Enabling Economic Growth Strategy 2016-2020.</p>
	<p>Budget: The actions proposed in the report are within current budgets. risks identified, particularly pressure on health and social care costs, have budgetary impact There are no VAT implications.</p>
	<p>Risk Assessment: Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as: Current Risk: HIGH Residual Risk HIGH</p>

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	<p>Other Implications: Successfully influencing future policy and funding offers opportunities for Sustainability, Property and Assets, Voluntary Organisations, and Public Health.</p>
Recommendation	<p>That the committee: Consider and comment on the proposed scope, actions, and what special governance structures (if any) are desirable in preparation for Brexit.</p>
Reason for Recommendation	<p>The report supports delivery of the Council's corporate priorities, as expressed in the relevant policies, strategies, and plans.</p>
Appendices	<p>Appendix 1 – Preparing for Brexit</p>
Background Papers	<p>A Catalyst for Change – Implications, Risks and Opportunites of Brexit for Cornwall and the Isles of Scilly.</p>
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1. Context

- 1.1 The withdrawal of the UK from the European Union will bring policy and funding challenges and opportunities. Dorset's interests need to be recognised, understood, and acted upon by those making the changes at the local and national level.
- 1.2 The Council needs to decide how to allocate its resources to minimise risk and maximise opportunities to further our corporate and shared objectives. The approach to be taken on this issue needs to be agreed across the Council.

2. Issues of concern/interest

- 2.1 In some cases, the Council may wish to seek to influence government directly, to shape policy or influence future funding streams. In many cases the Council will share concerns with other organisations and areas with similar characteristics. In these cases, seeking to influence future policy is likely to be more effective through our membership of groups such as the Local Government Association and Southern England Local Partners. In some cases there will be little need or opportunity for Dorset to influence the "new normal".
- 2.2 Immediate issues: Central government's current view is that local authorities' most pressing Brexit-related concerns are:
 - Risk to Dorset business
 - Concerns of employees who are non-UK EU citizens
 - Wage pressure and availability of Health & Social care
 - Financial pressure on health and care

These concerns are shared by employers locally, particularly those in sectors with high proportions of non-UK EU employees, such as land-based, health, care and hospitality sectors.

Quality service delivery of health and social care, provided directly and through commissioned services, is one of the Council's most significant functions. The uncertainty concerning rights of non-UK citizens post-Brexit and the relative weakness of Sterling have added to the longstanding challenges to recruitment and retention of suitable staff. Wage pressure on Council suppliers leads to financial pressure on commissioned services and presents challenges to delivering the Council's statutory responsibilities within current budgets.

The European Union (Withdrawal) Bill and related secondary legislation is designed to convert all current EU law into domestic law, so in theory there will be no immediate changes to laws other than to provide alternative arrangements where current law requires access to EU institutions that will not be available to the UK post-Brexit. Making changes to the status quo as the UK sees fit are due to come later.

However, since there is uncertainty around how laws (especially those that currently require access to EU institutions) will be redrafted there are concerns that seemingly minor changes may result in more significant changes than anticipated, and access to redress may be limited.

- 2.3 Longer term issues: Financing, resource availability, regulation, and employment are all likely to be affected by Brexit in the longer term.

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Finance: Approximately 0.5% of UK GDP is paid in net fees to the EU. Fees will continue to be paid until the end of the article 50 negotiation period (March 2019). The UK is then likely to pay residual costs over several years (the “divorce bill”) so no treasury windfall is to be expected. Probably more significant will be the effect of instability and uncertainty on the economy and hence exchequer revenue. The devaluation of sterling has already led to rising inflation and therefore increased operating costs.

- 2.4 There are many areas in which the council will need to plan for and react to regulatory changes using established policy and procedures, and a few where the council may wish to be proactive in influencing post-Brexit policy: These are predominantly place-based issues, and are likely to be those concerned with enabling inclusive economic growth - regional and industrial policy and successors of support currently from EU institutions - and regulation related to protection and improvement of the environment.
- 2.5 Council officers are in dialogue with many bodies, including Dorset and neighbouring Local Enterprise Partnerships, the Local Government Association, Southern England Local Partners, and the Association of Directors of Environment, Economy, Planning and Transport. As details of Brexit emerge, these discussions will become more focussed.
- 2.6 Areas of interest for the Council, their relative impact and the opportunity for Council influence in relation to change are proposed in Table 1. See Appendix 1 for more detail.

Table 1:

Impact → Influence ↓	Service level impact	Whole council impact
More opportunity for council influence	<i>Proposed action: Contribute to consultation through partners:</i>	<i>Proposed action: Engage in dialogue and consultation directly and through partners:</i>
	National housing policy: Housing strategy and funding streams available	Future industrial and regional growth policy: Informing future funding
	Environment: Implications of not being subject to EU Habitat, Birds, Bathing Water Directives; impact on protected landscapes	Regulation of Local Authority functions: Effects of Brexit on local government reorganisation, combined authority
		Industrial policy: Regional issues and groupings
Less opportunity for council influence	<i>Proposed action: Gather information through usual channels:</i>	<i>Proposed action: Plan and prepare for change:</i>
	EU law: Implications for procurement, air pollution, energy, state aid, data protection	Regulation of Local Authority functions: Governance and democracy Devolution of power and funding
	Consumer Policy: Trading Standards, Consumer rights, animal health and welfare, food standards	Funding and funding strategy: Delivery of Structural Funds, bidding for competitive funding
	Agriculture: Policy implications for County Farms	Challenges and opportunities for Health and Social Care

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	EU law: Implications for waste	Funding and funding strategy: Economic effects of Brexit on DCC finances
	Employment: Council as employer, rights of employees	Governance: Establish formal governance structure for Brexit

3. Next steps

- 3.1 In some areas, Councils and businesses have waited for greater certainty about what type of Brexit will be agreed before committing resources to identify how best to maximise opportunities and address the challenges of Brexit. In other areas, significant resources have already been committed and in January the Cornwall and Isles of Scilly Futures Group published a report as the start of a conversation on the implications, risks and opportunities of Brexit.
- 3.2 Some 15 months after the Brexit vote and as we move closer to exit from the EU, the Committee is asked to consider the formation of a Brexit Advisory Group.
- 3.3 The scope of a Brexit Advisory Group is potentially very wide ranging and it is suggested that following discussions at the Committee the Director should develop the proposed scope and Terms of Reference for discussion at the first meeting.

Matthew Piles
Service Director Economy
September 2017

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Appendix 1:

Topic	DCC interest/concern	council lead	Current activity and comments
Funding and funding strategy	Effect of Brexit on overall DCC finances	Richard Bates	Standard planning and budgeting processes will account for any Brexit-related changes to macroeconomic situation and impact of any changes to exchequer receipts
	Delivery of Structural Funds, bidding for competitive funding	Jon Bird	Continue attracting and employing EU funds to benefit Dorset. EU funding still available until Brexit.
National policy	Informing future funding regional strategy and structure, preparing Dorset case for investment, including LEP scale-up and collaboration to increase impact	Jon Bird	Build on Industrial Strategy Green Paper theme of promoting growth in all parts of the UK Promote use of proposed Future Prosperity Fund to focus on growth opportunities not only need/inequality
	Regional issues and groupings, Southern or South West Accelerator	David Walsh	Discussion with Southern LEPs on both sector specific and cross-sector regional collaboration and groupings
	Housing strategy and funding streams available	Diana Balsom	Is Brexit likely to have an effect on housing strategy or funding?
EU law	Implications for procurement, air pollution, energy, state aid, data protection etc.	Grace Evans	Watching brief. Changes to State Aid and procurement likely to be governed by WTO rules, notably the GPA Divergence from EU law likely to be gradual and received through usual channels
	Implications for waste	Karen Punchard	Watching brief. Divergence from EU law likely to be gradual and received through usual channels
Employment	Council as employer, rights of employees	Alison Crockett / Paul Loach	Watching brief through usual channels. Divergence from EU law likely to be gradual and received through usual channels
Environment	Implications of not being subject to EU habitat, Birds, bathing water Directives, impact on protected landscapes	Peter Moore	Watching brief, promote value of protection and enhancement of high quality environment
Agriculture	Move from Common Agricultural Policy to Domestic Agricultural Policy, Implications for County Farms	Ben Lancaster, Jon Bird	Watching brief, future agricultural support post – 2020 may affect County farm rents

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Regulation of Local Authority functions	Governance and democracy Devolution of power and funding	Jonathan Mair	Watching brief. Devolution of power from EU level not likely to be to council level.
	Effects of Brexit on local government reorganisation, combined authority	Mike Harries	Legislative and administrative resources allocated to Brexit likely to slow the pace of local government change
Consumer Policy	Trading Standards, Consumer rights, animal health and welfare, food standards, petroleum site safety, explosives storage and animal feed	Ivan Hancock	Horizon scanning through national contacts, no domestic demand for changes to consumer protection at present
Health and Care	Recruitment, retention, and skills needed to ensure quality service delivery	Diana Balsom	Gap analysis and risk plan in development
Governance	Formal governance structure for Brexit issues	Matthew Piles	Establishment of a group of key leads identified in this Appendix, chaired by Service Director, Economy, to report to members