



Leicester
City Council

WARDS AFFECTED:

Audit and Risk Committee - Note

6th March 2019

THE IMPACT OF BREXIT ON LEICESTER CITY COUNCIL

Report of the Chief Operating Officer (COO)/Director of Delivery, Communications and Political Governance

1. Purpose of the Report

1.1 To present to Audit and Risk Committee (A&RC) the findings of the impact/risk analysis carried out on Brexit by Leicester City Council (LCC) Officers. At the time of the assessment, the possible immediate impacts and short-term risks to LCC and on its services were considered and the purpose was to set out for debate the likely short-term impact/risks of a no deal scenario to LCC. Refer to:

- **Appendix 1**, the methodology adopted for this assessment;
- **Appendix 2**, the findings produced utilising the corporate risk assessment methodology.

2. Recommendations

2.1 **A&RC is asked to:**

- Note the findings of the Brexit impact/risk analysis (**Appendix 2**) **discussed in section 4**, the possible impact of a no deal Brexit scenario to the city council key areas;
- Note actions being taken by officers with each impact/risk identified;
- Make any comments to the COO/Director of Delivery, Communications and Political Governance.

3. Background

3.1 The report attempts to identify the key areas which could be impacted by Brexit. The key categories proposed for consideration were:

- **Law and legislation** – including the future review of UK laws of EU origin to consider their ‘real world impact’ and which may also lead to new legislative freedoms and flexibilities for councils;
- **Procurement/contracts** - there may only be minor procedural changes in the short term, even in the case of a no deal but there could be risks in relation to supply chains which impact on contract delivery;

- **Economy** – impacts in terms of interest rates/inflation/local economy;
- **Funding streams/financial** – including council services that are currently funded in part/in whole by EU funding;
- **Changes in workforce** - leaving the EU represents the possibility of a direct impact on both the local government workforce and the wider national workforce;
- **Community cohesion/service demand** – requirements of citizens in terms of advice and support and the consequent impact on services such as advice services, benefit and general support entitlement, housing, school admissions, as well as the potential for Brexit outcomes to create division between communities.

3.2 **Appendix 1 (Brexit Impact Assessment)** provides detailed information on the above-mentioned areas and proposed considerations within each category. This document was provided to officers as guidance for undertaking the assessment.

3.3 The uncertainty surrounding Brexit means that assessments were based on a current position judgement and will need to be monitored and changed as further information or other priorities and issues emerge, for this assessment, risk owners were asked to carry out an impact analysis on the key impact/risks identified using the LCC's risk management methodology. In addition, officers were asked to identify management actions that are currently/will be undertaken to minimise/mitigate the impact/risk based on the likelihood of occurrence.

4. Report

4.1 **Appendix 2 (Findings of Brexit Impact Assessments)** provides the findings for each category mentioned in section 3 in detail. Key impacts/risks were identified for LCC officers to assess using the corporate risk assessment methodology. These were scored and officers provided proposed management actions to mitigate/manage the impact and prepare for such eventualities. The table below provides snapshot of the number of high, medium and low impacts/risks under each category.

| Brexit risk/Impact analysis category | No of High/Medium/Low risk |
|--------------------------------------|-----------------------------|
| Law and Legislation | 1 High 2 Low |
| Procurement/Contracts | 2 Medium 1 Low |
| Economy | 2 High 3 Medium 2 Low |
| Funding Streams | 1 Low |
| Changes in workforce | 4 Medium 2 Low |
| Community cohesion/service demand | 1 Medium 9 Low |
| Business Continuity | 1 Medium 7 Low |

4.2 There are 3 high risks in totality which are:

| Risk No: | Risk | Impact (A) | Likelihood (B) | Risk Score (A x B) | Priority | Risk Owner | Management Actions | Target Date |
|----------------------------|--|------------|----------------|--------------------|----------|--------------|--|-------------------|
| Law and Legislation | | | | | | | | |
| 2 | Change to waste export rules. May increase costs to contractor and may reduce recycling and composting rate. | 4 | 4 | 16 | High | Geoff Soden | Monitor legislative changes. | 31.01.19 /ongoing |
| Economy | | | | | | | | |
| 8 | Economic uncertainty and growth impact on people's finances | 4 | 4 | 16 | High | Mike Dalzell | If BREXIT results in slower economic growth it may impact employment rates and wages. Need work closely with DWP, local charities etc, East Midlands Chamber and LLEP to monitor trends, identify and engage with high risk businesses, gain intelligence, provide information as appropriate. | 2019/20 |
| 9 | Relocation of foreign owned businesses and impact on labour market e.g. job losses | 4 | 4 | 16 | High | Mike Dalzell | Strong evidence that some businesses are delaying investment until they know what BREXIT will mean and how it will work. Will particularly impact those sectors with multi channel international supply chains. Work closely with East Midlands Chamber and LLEP to engage with business, gain intelligence and encourage BREXIT planning. | 31.01.19 /ongoing |

4.3 Such impacts/risks, due to them being **high**, require regular monitoring and possibly further actions to be implemented.

4.4 The below matrix provides an indicator of the status of the impacts/risk identified as part of this process in terms of likelihood and impact.

| | | | | | | | |
|-----------------------|---|------------------------------|-------------------------------|------------------------------|-------|----------------------------|--|
| Almost Certain | 5 | | 4 | | | | |
| Probable / Likely | 4 | 6 | 13,26 27,28 | 7,36 | 2,8,9 | | |
| Possible | 3 | | 1,3, 14,16 22,29,30 | 5,11 12,15 18,19 21 | 20 | | |
| Unlikely | 2 | | 17,25,31 32,33 35,37,38 | 23,24 32,34 | | | |
| Very unlikely Rare | 1 | 10 | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | |
| | | Insignificant/ Negligible | Minor | Moderate | Major | Critical / Catastrophic | |

4.5 Those impacts/risks in the **red quadrant require regular reviewing/monitoring** and consideration for further controls where appropriate as well as escalation. Those in the **yellow also require regular reviewing and monitoring** to ensure they do not escalate to a red risk.

4.6 These findings should be used as working documents for ongoing assessment to ensure that changes in Brexit are reviewed, monitored and communicated accordingly. Directors are reminded to monitor changes and inform of these impacts/risks as part of their wider risk reporting.

5. Financial, Legal Implications

5.1 **Financial Implications**

The financial implications of Brexit on the Council and the wider city are potentially wide ranging and cannot be quantified financially.

The Government has recently announced that all unitary councils will receive £210,000 to assist their preparations. This will be used to address issues and risks as they arise.

Colin Sharpe, Head of Finance – 37 4081

5.2 **Legal Implications**

'There are no direct legal implications arising from this report'

Kamal Adatia, City Barrister – 37 1401

- 5.3 There are no equalities implications arising directly from the recommendations of the report. However, the assessment covers some risks which would have an impact on people from protected groups, for example the potential for division between communities and the risk around availability of labour supply in the care sector. The assessment identifies ways in which the risks will be managed and there is a commitment to continue to ensure that changes in Brexit are reviewed, monitored and communicated accordingly. This approach will help to mitigate the likelihood or severity of any potential negative equalities impacts arising.
- Hannah Watkins, Equalities Manager – 37 5811**

6. Other Implications

| OTHER IMPLICATIONS | YES/NO | Paragraph References Within Supporting Information |
|-------------------------------|--------|--|
| Equal Opportunities | No | |
| Policy | No | |
| Sustainable and Environmental | No | |
| Climate Change | No | There are no significant climate change implications directly associated with this report. |
| Crime and Disorder | No | |
| Human Rights Act | No | |
| Elderly/People on Low Income | No | |
| Risk Management | Yes | All of the paper. |

7. Report Authors

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30th January 2019