

Appendix 1

THE IMPACT OF BREXIT ON LEICESTER CITY COUNCIL

Purpose of the impact analysis

It is accepted that the ultimate impact of Brexit on the Council is unclear. Irrespective of the outcome of the negotiations, it is suggested that some evidence gathering activity is undertaken to understand its possible impacts.

1. The purpose of this impact analysis is to set out for debate the likely short-term impact/risks of no deal scenario to Leicester City Council.
2. The impact analysis attempts to identify the key areas that could be affected
3. The proposal identifies a series of possible impacts/actions for consideration

Summary

The Council's responsibilities fall into two areas:

- the ongoing delivery of Council services
- the Council's role in supporting the local economy/community.

Having considered some of the ongoing national activity relating to Brexit, it is suggested that the key areas of focus should be:

- Law and legislation
- Procurement/contracts
- Economy
- Funding streams/financial
- Changes in workforce
- Community cohesion/service demand

EU Legislation/new legal base for local government

There are many EU laws that affect the day job of local councils. The future review of UK laws of EU origin must consider their 'real world impact' and may lead to new legislative freedoms and flexibilities for councils so that local communities, businesses and consumers can benefit.

Consider identifying services in the departments which are currently defined and delivered by/through EU legislation, identifying the relevant EU legislation.

On Procurement

For example - potential regulation impact/changes.

There is likely to be only minor procedural changes in the short term, even in the case of a no deal. In line with the other reviews of UK laws that apply EU rules to councils, a review of procurement law will take place from 2021. This may create the opportunity to develop a lighter-touch system, therefore, a simpler process, and provides more flexibilities to promote local growth. This is vital so that councils can procure to shorter timescales and lower high administration costs for businesses, especially small and medium-sized enterprises.

From a procurement perspective, considerations should relate to the wider economic impact affecting inflation and the cost of our bought in goods and services. Whilst we do not buy a lot from the EU ourselves, some of our supply chains will be affected by exchange rate fluctuations and could be impacted by tariffs/customs controls etc if these were to be implemented. Our contracts may not fully provide for these circumstances, and it might not be in our interests to enforce in all circumstances as continuity of provision would need to be ensured.

Economy

For example, – interest rates/inflation/economy generally – consider this as it happens and as issues emerge.

The LLEP and the East Midlands Chamber need to remain connected to businesses in order to be aware of potential risks and implications associated with Brexit. In addition, the impact on businesses and educational establishments resulting from demographic changes also need to be monitored.

Confusion arising from new legislation may result in an increased demand for general guidance (business advice including trading standards and compliance issues) from SMEs. The LLEP may need additional resources to meet this in the short and longer term.

See also above section on **Procurement** for economic impacts.

Funding

For example, European funding for projects

Identify council services that are currently funded in part/in whole by EU funding. Consider the value and percentage of the EU funding.

Identify non-council services that are directly funded in part/in whole by the EU which as a result of the withdrawal of funding will have a direct impact on the department's services.

There has been discussion that local communities will continue to benefit from EU funds until the end of the current programmes in 2020, allowing programme delivery to run until the foreseen closure in 2023. This is seen as a short-term solution.

It is essential that EU funding to local areas is fully replaced by 2021 at the very latest as part of a locally-led successor scheme. The Government has announced a

new UK Shared Prosperity Fund (UKSPF) and promised a consultation by the end of 2018.

On Employment/workforce and skills:

For example, who is employed but maybe affected due to origin/work status/bigger problem in areas such as ASC who rely on migrant workers

Leaving the EU represents the possibility of a direct impact on both the local government workforce and the wider national workforce, The Government's Migration Advisory Committee is aware of the high number of non-UK EU nationals who work in key services such as social care, construction, local industries such as tourism and other key sectors - agriculture, food manufacturing – are vulnerable to reductions in the supply of labour from the European Economic Area. The skills gap may need to be addressed.

Whilst the withdrawal agreement gives some certainty on this issue in the short to medium term, the need for business continuity across local places, both in terms of our ability to plan for the sustainability of essential public services and for local private and public-sector employers to have the steady supply of the skills they need to thrive and grow remains a key issue.

Consider the number of staff at Leicester City Council that may be impacted by changes to EU workers' rights (eg EU nationals currently employed here).

Establishing the percentage of EU nationals currently employed directly or indirectly (agency or commissioned) by Leicester City Council for the delivery of services is recommended.

Community cohesion, service demand:

For example, consider citizen support – impact on advice services, benefit and general support entitlement, housing, school admissions – impact on schools if EU migrants leave the UK or where British nationals having to return to the UK.

Councils play the leading role in bringing communities together and will be important in tackling challenges such as the retention of skilled workers. For example, the adult social care workforce has a unique set of skills but struggles with recruitment and retention. With 7 per cent of existing adult social care staff across the UK from other EU nations, securing a sustainable adult social care workforce and excellent care skills will be a priority for the Government.

No Deal

The implications of a no deal and as a result no transitional period could be considerable on the Council and local economy. Stockpiling may be considered for some services of essential items and or buying in additional resources to support key services. Issues of resilience may also arise including the potential for civil unrest.

Further Information:

Please see Appendix A for local government priority areas for legal framework review following Brexit.

Methodology for the impact analysis:

The current uncertainty about the Brexit scenario should consider an 'on the day' judgement and may change as different priorities emerge. When scoring the risk/impact, the assessments should be based on a worst-case scenario. There will be interdependencies between the risks therefore it may be challenging to determine an accurate picture. Some of the impacts/risks identified may appear under several categories.

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Appendix A

LGA defined local government priority areas for legal framework review following Brexit.

Priority Theme	Key Messages
<p>Public Procurement</p> <p>UK Public Contracts legislation stems directly from EU law. If the UK's exit results in the UK not being part of the single market then there might be some opportunities to introduce a streamlined public procurement framework. However, we need to recognise that public procurement is also subject to World Trade Organisation (WTO) agreements. The UK is a signatory to the Government Procurement Agreement as a member of the EU, but other signatories include key future trading partners such as the USA, Canada, and Japan. Others including China are negotiating accession.</p>	<ul style="list-style-type: none"> • Councils need a simpler and more efficient public procurement regime, whilst still ensuring best value for public money. • Councils need greater flexibility to stipulate some use of local contractors and local labour in their procurements. • Shorter timescales, lighter-touch advertising requirements and award procedures, less risk of litigation, and the possibility for greater negotiation with suppliers would be of benefit.
<p>Regulatory services, consumer protection, trading standards, including food safety, licensing, product safety, fair trading, weights and measures</p> <p>EU laws governing these issues are generally considered by councils to be helpful in protecting public safety.</p>	<ul style="list-style-type: none"> • Laws to protect the public and consumers will continue to be needed, but councils can work to ensure that regulation, including licensing, more squarely meets the needs of local communities and local business growth. We need to develop legislation which creates desired outcomes, but where delivery is defined locally. • Whilst maintaining national standards and broad objectives, delivery and choices of where to focus should be locally driven.
<p>Environment: air quality standards, strategic environmental assessments, municipal buildings and energy standards</p> <p>UK environmental legislation often stems directly from EU legislation. This covers areas such as national fines for poor performance against air quality standards and the preparation of environmental assessments as part of the planning process.</p>	<ul style="list-style-type: none"> • Councils need to stress that core responsibilities for air quality lie with government and national agencies (such as Highways England and the Airports Authority). The policies of individual councils can only have a limited affect in improving air quality • Councils will want to ensure that UK targets on clean air are at least as ambitious as EU targets and that where councils have a role, they are given the powers and resources to deliver them. • Councils should be closely involved in any reform of the Strategic Environment Assessment regime, along with energy 8 standards in relation to public buildings. • Councils are currently exempt from the EU Energy Efficiency directive, whilst supporting its overall aims.

	<p>This exemption should continue, whilst making the case for increased funding to renovate the local government sector building stock.</p> <ul style="list-style-type: none"> • We should consider areas where there might be “gold plating” in the manner in which EU laws and regulations have been adopted (i.e. additional regulations have been added to EU directives when they were made into UK law). However, this needs to be balanced with caution around deregulation. • Even when it is considered that quality standards should be determined at a national level, and this might be the case in some areas of environmental protection, delivery should remain locally determined and local government should be a key partner in determining the national standards.
<p>Waste: landfill, recycling, waste electric and electronic equipment (WEEE)</p> <p>UK waste policy is underpinned by EU legislation. This includes targets for recycling.</p>	<ul style="list-style-type: none"> • The principle of subsidiarity should apply. Councils want greater local flexibility in how waste is managed according to local choices and priorities. • Councils seek reforms that will achieve changes in production and consumption patterns so as to consider waste as a potential resource and to promote the market in secondary materials. • Councils will want to ensure that the ‘polluter pays’ principle remains in place post Brexit (an example here is waste electric and electronic equipment).
<p>Transport: including commissioning/franchising/concessions regimes, state aid regime, electric charging points, Heavy Goods Vehicle (HGV) road tolls, road safety, airport/airline public subsidies, passenger rights, disabled access etc.</p> <p>There are EU requirements on councils in all of the above areas. In addition EU financing (Connecting Europe Facility) is also available to help local authority-managed infrastructure link with major road/rail corridors.</p>	<ul style="list-style-type: none"> • Councils want to ensure any changes to the legal framework support economic growth through improvements to the transport network. • There should be greater flexibilities to commission public transport services. • Councils will want to ensure withdrawal from the Connecting Europe Facility (CEF) EU funding programme does not lead to a loss of funding for links with locally-managed infrastructure.
<p>Employment/Workforce</p> <p>The majority of legislation governing employment and employee rights in the workplace stems from EU law. Local government is a major employer, and</p>	<ul style="list-style-type: none"> • Councils will want legislative reviews to provide stability in the labour market. This applies to contractual employment arrangements but also in terms of labour supply.

<p>contracts with other major employers for services such as public health and social care. EU rules on posting workers also affect how long a worker from abroad can be posted to work in the UK.</p>	<ul style="list-style-type: none"> • Councils want to ensure a continued availability of labour supply in the care sector in particular, and a flexible regime allowing workers to be easily posted from all countries. • Councils want to maintain a proportionate approach to remunerating ‘on call’ working time to ensure no additional costs for fire services and social services.
<p>Planning</p> <p>EU directives establish minimum requirements for the environmental impact assessment of projects, with the aim of ensuring a high level of protection of the environment and human health.</p> <p>EU directives also protect bio-diversity and wildlife etc.</p> <p>Local authority charges for environmental information are also governed by EU legislation.</p>	<ul style="list-style-type: none"> • Councils will be keen to ensure that the provision of environmental information to individuals and or businesses is not subsidised by local communities post-Brexit. • There may be a possibility to introduce more flexible state aid rules governing for example the price of public land sold to developers and freeing up the greater use of section 106 agreements. • Councils may want to consider whether habitat assessments remain fit for purpose.
<p>Economic development</p> <p>EU state aid rules apply when councils give grants or subsidies to an organisation or business: anything from supporting local Non-Governmental Organisations (NGOs) through to supporting large scale manufacturing with regional aid.</p> <p>The UK is also subject to WTO rules, which will remain in place post-Brexit.</p>	<ul style="list-style-type: none"> • Brexit provides an opportunity to reform the state aid regime to introduce greater local flexibilities. The EU regime, once repatriated, could be replaced by some form of domestic control to ensure public grants and subsidies remain focused on public interest objectives and do not unduly distort competition. This might include introducing higher financial thresholds than the EU regime allows.
<p>Local Government Finance</p> <p>EU VAT legislation frames the VAT treatment of local authority services and activities, as well as the VAT reimbursement system in place from HMRC to councils.</p> <p>EU rules on investments also regulate which financial products local authorities can invest in, and the level</p>	<ul style="list-style-type: none"> • Councils will want to continue to retain any favourable VAT treatment of their services and consider options to support local communities in attaining better VAT treatment for essential goods and services. • Councils may want to have lighter 10 requirements in future as regards the level of external advice which must be received before investing public money, and may also wish to invest in a wider range of instruments than the current rules allow.

<p>of expert advice they must receive before investing.</p>	<ul style="list-style-type: none"> • Councils will want any changes to be considered as part of a wider debate on fiscal freedoms and flexibilities for councils – for example, retaining a share of VAT raised locally.
<p>Data and Public Information</p> <p>The availability of public sector information and the treatment of personal data is all governed by EU law.</p>	<ul style="list-style-type: none"> • Councils may want to ensure a more proportionate regime is in place for the processes surrounding the treatment of personal data. • Councils may want to review and amend current EU requirements as regards the publishing of information which are not always cost-effective.