

## Slough Borough Council

**REPORT TO:** Cabinet **DATE:** 14 October 2019

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**WARD:** All

**LEAD MEMBER:** Councillor James Swindlehurst, Leader of the Council and  
Cabinet Member for Regeneration & Strategy

### PART I NON-KEY DECISION

#### IMPACT ASSESSMENT OF A NO DEAL BREXIT ON SLOUGH

1. **Purpose of Report**

To provide an update on the potential impacts of a 'no-deal' Brexit on Slough and the Council's operations.

2. **Recommendation**

That the Cabinet note the current position and the activity the Council has undertaken to mitigate risks.

3. **The Slough Joint Wellbeing Strategy 2016 – 2020, the Joint Strategic Needs Assessment and the Five Year Plan 2018 - 2022**

3.1 Brexit has the potential to impact on the delivery of a number of Slough's Joint Wellbeing Strategy priorities including:

- 2. Increasing life expectancy by focusing on inequalities
- 4. Housing

3.2 Brexit has the potential to impact on the delivery of a number of the council's Five Year Plan priority outcomes particularly:

- Outcome 3 – Slough will be an attractive place where people will live, work and stay.
- Outcome 4 – Our residents will live in good quality homes
- Outcome 5 – Slough will attract, retain and go businesses and investment to provide opportunities for our residents.

4. **Other Implications**

(a) **Financial** - There are no financial implications associated with the proposed action, beyond Brexit itself.

- (b) **Risk Management** – There are no identified risks to the proposed action, beyond the risks highlighted in the report itself.
- (c) **Human Rights Act and Other Legal Implications** - There are no Human Rights Act implications associated with the proposed action.
- (d) **Equalities Impact Assessment** - There is no requirement to complete an Equalities Impact Assessment in relation to this report.

## 5. **Supporting information**

- 5.1 At this stage there are still more questions than answers around the timing and detail of Brexit. This report provides an update following the previous report of 17 September 2018.
- 5.2 Since assuming office, the Prime Minister has committed to a policy of ensuring that the UK leaves the EU on 31<sup>st</sup> October, with or without a deal.
- 5.3 Discussions have been ongoing since between the Government and the EU Commission regarding customs arrangements for the Northern Ireland border - which are widely seen to be the major obstacle that prevented the Withdrawal Agreement from passing through the House of Commons.
- 5.4 Detailed proposals for an alternative agreement were passed over to the EU by the Government on 2<sup>nd</sup> October, and the Prime Minister has stated that if the EU does not engage with these proposals, the UK 'walk away' from negotiations. Some commentators have so far been sceptical as to the likelihood of these proposals being acceptable to the Commission.
- 5.5 Parliament has passed legislation (widely referred to as 'The Benn Bill') which theoretically forces the Prime Minister to accept any extension to the Article 50 process that is offered by the EU and outlaws any No Deal exit that is not approved by Parliament. However, this legislation may not be sufficient because:
  - The EU may refuse to offer an extension or a member state might veto one; and
  - Recent comments from the Prime Minister's special adviser Dominic Cummings indicate that the Government believe that they have found a loophole to avoid abiding by the legislation.
- 5.6 Parliament theoretically could vote to revoke the Article 50 process unilaterally, but some commentators do not believe this to be likely to happen due to the political ramifications.
- 5.7 To summarise, a No Deal exit remains a very distinct possibility on the 31<sup>st</sup> October, and SBC should continue its Brexit preparations on this assumption.
- 5.8 The key risks of a No Deal Brexit are set out in the table at Appendix A. This uses the council's corporate methodology to ensure that risks are identified and assessed in a consistent manner. The probability and impact assessment currently assumes

that no mitigating actions have been implemented to date. The council's Risk and Audit Board has reviewed the risks identified and mitigating actions.

5.9 Further context and background on the key issues affecting Slough is set out at Appendix B.

5.10 Since the last report to Cabinet this Council has been proactive in preparing for Brexit and supporting our residents. For example:

- Promoted the EU Settlement Support service through our Registrations team ID verification service (including providing the service free of charge to our own staff and those residents with care needs)
- Set up and maintained a dedicated Brexit web page on the council's website
- Contacted local suppliers with information relating to No Deal and surveyed their readiness
- Playing a full part in the Thames valley Local Resilience Forum to ensure that its plans for No Deal take account of relevant local circumstances and potential impacts on our communities.
  
- Trained specialist staff to be able to process health export certificates for local exporters to the EU
- Ensured attendance at government briefings in key areas such as trading standards / import and export implications given our proximity to Heathrow
- Held a Landlords Forum to promote advice from government including the right to rent and EU Settlement Scheme
- Ensured schools are receiving relevant communications and advice from government
- clear communication to local residents and businesses to support their own preparations for Brexit and developing a plan for how the council would communicate important messages to stakeholders
- Continued to ensure our readiness for any potential general election

## 6. **Comments of other committees**

6.1 This report has not been shared with any other committees.

## 7. **Conclusion**

7.1 The implementation of Brexit is likely to have wide ranging impacts on public services, communities and businesses. To mitigate these, the council continues to assess and prepare for all eventualities (including No Deal), by identifying and reviewing areas of potential impact.

7.2 Work has continued throughout the year to assess our resilience and develop a high level risk and contingency table to protect our residents, businesses, revenue streams, workforce, local regeneration, infrastructure projects and community cohesion priorities.

7.3 The Council's Senior Leadership Team continues to actively manage risks and issues, reviewing the national, regional and local context, to provide weekly updates to the Corporate Management Team and assurance to the Cabinet on our preparations.

**8. Appendices attached**

A – No Deal Brexit risk analysis

B – Further context and background

**9. Background papers**

None

## Appendix A: No Deal Brexit risk analysis

Ref	Type	Description	Effect	Probability	Impact
1	Development and regeneration schemes	Securing investments could become more difficult / Investment decisions could be delayed by lenders.	<b>NEGATIVE</b>	<b>Unknown</b>	<b>Marginal</b>
2	Development and regeneration schemes	Major building / infrastructure projects could be delayed or deferred.	<b>NEGATIVE</b>	<b>Unknown</b>	<b>Critical</b>
3	Economy	Potential loss of inward investment if European firms are deterred from investing in Slough.	<b>NEGATIVE</b>	<b>Significant</b>	<b>Unknown</b>
4	Economy	Impact on living standards due to higher prices as a result of possible economic downturn.	<b>NEGATIVE</b>	<b>Very High</b>	<b>Unknown</b>
5	Financial	Reduced income from fees and charges as a result of possible economic downturn.	<b>NEGATIVE</b>	<b>High</b>	<b>Critical</b>
6	Financial	Reduced income from business rates if businesses close, relocate, or reduce operations.	<b>NEGATIVE</b>	<b>High</b>	<b>Critical</b>
7	Financial	Loss of access to EU funding programmes for council and VCS projects.	<b>NEGATIVE</b>	<b>Unknown</b>	<b>Marginal</b>
8	Financial	Potential fall in value of investments and assets impacts on balance sheet.	<b>NEGATIVE</b>	<b>Significant</b>	<b>Unknown</b>
9	Financial	Loss of business function and / or continuity due to potential withdrawal of contractors.	<b>NEGATIVE</b>	<b>Significant</b>	<b>Unknown</b>
10	Financial & environmental	Potential loss of revenue savings as a result of failing to meet key targets and outcomes in the council's Carbon Management Plan	<b>NEGATIVE</b>	<b>High</b>	<b>Critical</b>
11	Population	An exodus of residents from EU27 countries could reduce demand for some services.	<b>POSITIVE</b>	<b>High</b>	<b>Unknown</b>
12	Population	Following Brexit EU nationals will not have the right to take part in local elections (unless & until the UK enters into a bilateral arrangement with the nation involved). This could affect the accuracy of the electoral roll.	<b>NEGATIVE</b>	<b>Very High</b>	<b>Unknown</b>
13	Population	Potential economic downturn could lead to increased demand for some services. Including for Example free school meals	<b>NEGATIVE</b>	<b>High</b>	<b>Critical</b>
14	Population	An exodus of residents from EU27 countries could reduce demand for	<b>POSITIVE</b>	<b>High</b>	<b>Unknown</b>

<b>Ref</b>	<b>Type</b>	<b>Description</b>	<b>Effect</b>	<b>Probability</b>	<b>Impact</b>
		school places			
15	Workforce	Potential loss of employees from EU27 countries in the construction sector could impact our ability to deliver regeneration, repairs and maintenance priorities.	<b>NEGATIVE</b>	<b>Significant</b>	<b>Unknown</b>
16	Workforce	Potential loss of employees from EU27 countries in the health and social care sectors could impact on delivery of certain services.	<b>NEGATIVE</b>	<b>High</b>	<b>Unknown</b>
17	Workforce	Potential loss of employees from EU27 countries in the council's employment could impact our service delivery.	<b>NEGATIVE</b>	<b>Significant</b>	<b>Unknown</b>
18	Workforce	Potential loss of employees from EU27 countries in the education sector could impact on schools and their ability to operate.	<b>NEGATIVE</b>	<b>High</b>	<b>Unknown</b>
19	Workforce	Potential need to fill workforce gaps could be a challenge if there are higher agency costs associated with recruitment and retention.	<b>NEGATIVE</b>	<b>High</b>	<b>Critical</b>

## **Appendix B: Further context and background**

### **Slough's EU migrant population:**

- In 2011, 9.2% (13,698) of Slough's population was born in an EU country other than the UK. The most common countries of origin were Poland, Italy, Germany, France and Portugal, whilst nationally it was Romania, Poland, Italy, Spain and Bulgaria.
- 3,093 residents arrived between 2010 and 2011. One fifth of residents (20.7%) came to the UK between 2001 and 2011. 3.7% of the population (5,133 people) had been living in the UK less than 2 years while a further 6.5% (9,149 people) had been here for between 2 and 5 years.
- During 2017/18, 2,443 national insurance numbers were allocated to new EU migrants entering the UK and arriving in Slough, although no data is available as to whether they stayed and found employment in Slough. 1,136 came from Bulgaria and Romania, 736 from Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, 563 from 'original' EU members prior to the 2004 expansion and 8 from Malta and Cyprus.

### **Workforce:**

- Key sectors potentially at risk in Slough include construction and health and social care: In 2018, there were an estimated 2,700 jobs in Slough's adult social care sector, comprising of 2,100 direct care providing roles (including 1,600 care workers), 250 managerial roles, 250 other-non-care providing roles and 125 regulated professionals. 13% (351) of this workforce is from an EU country outside the UK.

### **Business rates:**

- The loss of business rates due to large companies moving out of the borough would have a highly significant impact on the council's budget. In 2018/19 the anticipated value of retained business rates to the council is £41.880m.
- Brexit could place particular pressure on small and medium-sized businesses, due to the impact on reduced capital investment, which could weaken and undermine their ability to grow. There were 5,965 small to medium sized enterprises and 6,915 small to medium sized local units in Slough in 2017.

### **External grant funding:**

- All EU funds are usually tied with council match funding funds to extend or increase the volume of existing programmes of work. If no alternative funds are available the council will need to continue to deliver programmes of work within existing budgets without additional funding opportunities. This does however mean that the matched funding requirements of council funds could be more freely used for delivery, rather than ring-fenced to particular eligible client groups.
- The council is in receipt of £880K in funding under Building Better Opportunities, jointly funded by Big Lottery Funding and European Social Fund (ESF), to improve access to employment and training.

## Development and regeneration:

- The decision to leave the EU has prompted warnings across the construction industry about the impact of prolonged uncertainty on house prices and the cost of borrowing may result in some developments schemes stalling, leading to some council's being unable to meet their housing supply targets.
- Under a 'no deal' scenario, the UK would lose access to European Structural and Investment Funding (ESIF), worth £5.6 billion to local communities in England (2014-20). However, the Treasury announced that in the event of 'no deal' the Government would 'underwrite' ESIF funding until the end of 2020. Councils need to know quickly how they will be able to bid, and receive guarantees that the UK 'Shared Prosperity Fund' will at least match the funding from the current ESIF funds and be in place from 1 January 2021.

## Economy:

- Restrictions on free movement of labour and access to the European market could accelerate the move of large businesses to Europe resulting in a loss of business rates, which would have a highly significant impact on the council's budget.
- Slough's construction sector is highly reliant on migrant labour. Limits on free movement could bring about skills shortages, which could impact on construction, as well as businesses and employers within the borough. However this could also provide opportunities for some Slough residents.
- Other potential sources of labour depending on post-Brexit migration arrangements could be available and there may be more opportunities for locally trained staff through our various work schemes.
- Reduced businesses investment, access to funding and the financial impact on suppliers could present challenges for investment in decarbonisation initiatives.
- European Social Fund (ESF) and European Regional Development (ERDF) funding revenue and/or capital funds for stimulation of markets, access and employment, supply chains, business start-ups resources will be unavailable in the future.
- **Slough is still seen as an attractive business destination, new businesses may relocate into the borough, bringing different skills and experience and different employment opportunities.**

## Regulatory Services :

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- EU laws affect a wide variety of the council's activity. The European Union (Withdrawal) Bill will enshrine all existing law into UK law at the point of Brexit. However, there are many regulatory functions where it is not clear how the transition will work. Preparation for changes to officer authorisations and briefings for businesses are underway.
- It is recognised that there may be extra demand for Export Health Certificates for local businesses exporting to the EU

## Procurement:



- Local Authorities must comply with EU public sector procurement rules. The most significant requirement is for all public contracts over a certain value to be published in the Official Journal of the European Union (OJEU), thus making them accessible to suppliers from across the EU. In the medium term, public procurement rules more generally will remain in place as they have been implemented via UK law.
- Procurement at and over the relevant OJEU value must be advertised via OJEU. Procurement less than the threshold values need to follow local procurement rules and do not need to be advertised on OJEU. The Councils local procurement rules are in the councils Constitution.
- If the UK's exit results in the UK not being part of the single market it is likely we will remain a member of the WTO (World Trade Organisation) Agreement on Government Procurement (GPA), which again focuses on Procurement over certain thresholds. There may be potential therefore for a more flexible or different procurement policy for smaller procurements, however longer-term opportunities for procurement regulations are being considered by Government.
- In the medium term though, public procurement rules are likely to remain in place as they have been implemented via UK law.