

REPORT OF THE DEPUTY LEADER

BREXIT

1. Purpose of Report

- 1.1 This report provides an update on the progress of the work undertaken by the Brexit Commission.
- 1.2 The City Council commissioned a report to analyse the potential impact of Brexit on the West Midlands economy. The executive summary highlights eleven key areas of concern to the Council.
- 1.3 This report sets out the next steps of the Brexit Commission and, in particular, its plans for further resilience and contingency planning.

2. Background

2.1 Establishment of Brexit Commission:

- 2.1.1 Since the Brexit referendum in June 2016 the City Council has taken local leadership in developing an initial 'Brexit Advisory Group' bringing together key stakeholders from across the city and subsequently a 'Brexit Commission', chaired by the Deputy Leader, bringing together a higher level and broader geographical spread of stakeholders to include the Metropolitan Local Authorities of the West Midlands Combined Authority (WMCA), the three West Midlands Local Enterprise Partnerships, University of Birmingham, Aston University, Birmingham City University, Centre for Brexit Studies and Chambers of Commerce.
- 2.1.2 The aim of the Brexit Commission is to provide strategic oversight for Brexit matters and engage with the key partners to collate research and analysis on the potential Brexit implications for the West Midlands and agree on how best to respond to risks, threats and opportunities presented in this analysis.
- 2.1.3 The Brexit Commission aims to identify the potential economic and social impacts of Brexit on the region. It will look at a range of issues including trade, business, employment, funding and public service to help ensure the city is best prepared and best positioned to respond to any negative social and economic impacts.
- 2.1.4 Through a competitive process, the West Midlands Economic Forum was selected by the City Council and commissioned to undertake desk

research and develop a report which brings together a range of existing academic and governmental analysis already undertaken and present the collective findings in a West Midlands context. The West Midlands Economic Forum (WMEF) is a neutral independent forum designed to bring together representatives of the public, private and voluntary sectors to evaluate economic trends in the local economy.

- 2.1.5 The final report was approved by the members of the Brexit Commission at its meeting on 12 November 2018. The summary of this is attached at Appendix1.

3. The Brexit Context: State of Play

- 3.1 Appendix 2 provides a summary of the Brexit process. The UK and the EU have been engaged in a process of negotiation since March 2017, with the intention of agreeing the terms of the UK's withdrawal and a "Future Framework" which will outline the terms of the future relationship. It has been agreed that a transition period will last from March 2019 to the end of 2020 and that the details of the future relationship will not be negotiated until that period.
- 3.2 Whilst clarity and certainty are lacking, it is an inescapable fact that Brexit will have economic implications. After decades of aligning and intertwining our laws, the UK will become a "third country" in EU terms and the complex set of regulations, laws, agencies and procedures that govern our trade and other relationships with the 27 EU member states will be altered. The scale of the impact will obviously be determined by the nature and structure of any final agreement reached.
- 3.3 The Government has brought forward several Bills during 2017 and 2018 to facilitate the Brexit process: Bills on EU withdrawal, sanctions, road haulage, nuclear safeguards and customs have been passed and the Trade Bill is on course for ratification before 29 March 2019. However, there is less certainty that Bills on Agriculture, Fisheries and Citizens' Rights will be passed by the withdrawal date. The Government also needs to amend a wide range of secondary legislation, depending on the nature of the Withdrawal Agreement and whether there is a "no deal" Brexit. Much of this legislative change needs to be supported by practical arrangements, some of which will need to be put in place very quickly in the event of "no deal". Parliament will vote on the final deal on 11 December 2018.
- 3.4 On 14 November 2018 the Prime Minister announced that a 'Technical Deal' and joint Political Statement had been agreed with the EU. This will be subject to further internal scrutiny and debate in the UK before being presented to parliament for ratification. This will also require the ratification of the European Parliament and European Council.

- 3.5 At the time of writing this report, it was understood that a ‘meaningful vote’ on the withdrawal deal would take place in Parliament in January 2019. Some details in this report may be superseded by events that have followed.

4. Planning for a ‘No Deal Brexit

- 4.1 Withdrawal from the European Union is governed by Article 50 of the Lisbon Treaty. Under the Article, the date for the UK to leave the EU is two years from the date on which those provisions were activated – 29 March 2019. This date has also been written into UK law by the European Union (Withdrawal) Act 2018. However, notwithstanding the announcement of the ‘Technical Deal’, if the negotiations for a Withdrawal Agreement do not reach a conclusion by the beginning of 2019 then the UK will leave the EU with “No Deal”. This means that there will be no treaty agreement on the terms of Brexit and how existing regulatory and trading arrangements will operate after that date. See Appendix 2 for a summary of the Brexit process.
- 4.2 The Government has published a number of “Technical Notices” which set out the implications of a ‘No Deal’ scenario for a wide range of issues, from travel to trading standards, customs, environmental regulation and security. Council officers alongside colleagues in the Brexit Commission have begun assessing the Technical Notices and summarising the importance of the issues they cover to the Local Authority and the West Midlands economy. A ‘No Deal’ scenario analysis for the West Midlands is attached at Appendix 3.
- 4.3 The Brexit Commission has applied a Red, Amber, Green (RAG) rating to the issues and provide an assessment of priority, based on the significance of the issue and the ease with which mitigation can be achieved by March 2019.
- 4.4 An early review of the Technical Notices has already identified some areas for further analysis. These include:
- EU Funding;
 - Trading Standards – including health and environmental concerns;
 - Regulatory and legal issues – procurement, state aid, contracts etc;
 - Workforce issues where there is significant employment of non-UK EU nationals;
 - Resilience and security issues – including EU police and security co-operation;
 - The wider economy and business – trade, travel and regulation;

- Cascading government information and communications within the region.

4.5 Steps have been taken to ascertain a detailed understanding of these issues and ensure that contingency plans are put in place for local authority functions and that businesses and citizens are provided with the information they need to respond. The Chambers of Commerce and the Local Enterprise Partnerships are also providing support to businesses, along with regional offices of the Confederation of British Industry and the Institute of Directors.

4.6 The Impact of Brexit on Birmingham and the West Midlands

4.6.1 As stated above, the West Midlands Economic Forum (WMEF) were commissioned to independently undertake desk research and develop a report which brings together existing research and analysis and present the collective findings in a West Midlands context. The summary report is presented as Appendix 1. A full version of the report is available via the supplied [link](#).

4.6.2 This piece of work has been developed through an independent lens and is intended to present research and analysis prepared by key academic and government specialists rather than provide opinion or political commentary.

4.6.3 The initial scope of the report sought to examine potential impact and consequences against the issues linked to trade, business, employment and skills and funding. The findings of the report do however identify wider reaching implications.

4.6.4 In summary the report's key findings identified the following areas of concern:

- **Trade**

The impact of the future relationship with the EU, notably customs arrangements, tariffs, regulation, freight and borders on the regional economy. Particularly in key sectors important to the region such as Advanced Manufacturing.

- **Infrastructure & Investment**

The impact of Brexit on continued investment into transport infrastructure, broadband, housing and business investment, given the need to sustain international competitiveness;

- **Key Employment Sectors**

Key sectors which are particularly vulnerable to Brexit, including: automotive plus those in the wider supply chain; health and social care

with 1 in 10 social care nurses being non-UK EU nationals; the broader impact of a general economic downturn/compression in growth;

- **Productivity and Skills**

The recruitment and retention of skills, especially maintaining access to technical, proficient labour, such as currently provided by EU nationals and addressing skills shortages;

- **Just in Time Impacts**

Challenges to businesses relying on rapid transport of goods across the EU. There are also implications in sectors such as energy and on a range of current supply chains due to the impact of longer lead times, for example in the manufacturing sector;

- **Fiscal, Financial & Economic**

The overall impact of a range of Brexit outcomes on economic growth over time, possibly leading to an increase in pressure on Local Authority services. The impact of volatile interest rates and markets and the associated impact on servicing debts;

- **Business Adaptability**

The preparedness of business to deal with the Brexit outcome (especially Small/Medium Enterprises which make up 95% of enterprises in the WMCA) notably the need to increase awareness of the new conditions of trading with Europe, potentially under WTO auspices;

- **EU Funding**

Birmingham alone has benefitted from over £1billion in EU funding in the last 30 years and the inability to access such a resource in the future will have an impact on key priorities for local government such as jobs and skills and inclusive growth. The Government has made commitments to the completion of the current round of spending and to existing funded projects and programmes. Beyond 2020, the proposed new UK Shared Prosperity Fund will be critical in filling this funding gap;

- **Security**

The need to increase awareness of adherence to international treaty obligations and trading regime requirements to ensure compliance. Further local implications associated with public demonstrations and potential disorder or unrest which may arise from any significant downturn in the local economy or negative impact on local industry will need to be considered;

- **Data Sharing**

The impact of Brexit on current collaborative arrangements between EU and regional institutions and their ability to share information through existing Knowledge Transfer and Data Sharing Platforms. This may have implications for issues such as counter-terrorism, but also industries such as medicines and healthcare;

- **Local Authority Impact**

In addition to those areas identified above, there are a number of specific issues that will be of direct relevance to the Council and will require further analysis and contingency planning. This includes areas such as procurement, state aid, trading standards, legislation/regulation, environmental health, resilience and emergency planning, and workforce implications in key services such as adult social care.

4.6.5 Internally officers across the Council will continue to progress work in these areas and develop short and medium term plans to prepare the Council for mitigation of risks and exposure. Officers will also work with other West Midlands Authorities to develop regional plans where appropriate.

4.6.6 As presented earlier in the report, the Brexit Commission will work with the WMCA and other partners to examine these findings, alongside the Technical Notices and 'No Deal' analysis to assess potential consequences (including internal consequences for the Council), assess current resilience and preparedness to respond and identify initial and urgent risks and the further actions to take, particularly with regards to mitigation.

5. Next Steps

5.1 There will be further work of the Brexit Commission, particularly around resilience and contingency planning for a 'No Deal' Brexit. Thematic workstreams have been established and internal officers identified and confirmed to contribute to these.

5.2 Further analysis will be developed in the first quarter of 2019, acknowledging that the fluid nature of the Brexit position will dictate the timing of this.

Motion

That the City Council: note the contents of the report.

Appendices

Appendix 1 – Summary of the Impact of Brexit on Birmingham and the West Midlands

Appendix 2 – Summary of the Brexit process

Appendix 3 – 'No Deal' scenario analysis for the West Midlands