



Date: 7th May 2019

To: THE CHAIR AND MEMBERS OF CABINET

BREXIT Preparedness Fund

Relevant Cabinet Member(s)	Wards Affected	Key Decision
Mayor Ros Jones & Cllr Bill Mordue	All	Yes

EXECUTIVE SUMMARY

1. Doncaster Council and our Partners have been undergoing strategic and operational planning for Brexit for the last twelve months, fundamental to this are a set of priorities which include:
 - Gathering and sharing intelligence and information likely to be of value in identifying and managing the risks, threat and opportunities arising from EU Exit.
 - Managing our collective response to ensure effective service delivery is maintained, continues to be responsive and robust business continuity arrangements are in place.
 - Working in partnership with the Sheffield City Region and the community to monitor and mitigate the economic impact of EU Exit on business resilience, food and essential supply chains, workforce and business investment.
 - Taking all reasonable steps to minimise the impact of EU Exit on community cohesion, particularly those within communities that might feel especially vulnerable because of actual or perceived implications of EU Exit.
2. In ensuring we have timely and robust business continuity arrangements in place it was important that we discussed our preparations for this fund at the Overview and Scrutiny Committee on the 27th February 2019, who are wholly supportive of the preparation's alluded to within this report.
3. The purpose of this report is therefore to seek to accept and use the recently approved funding by the Ministry of Housing, Communities and Local Government (MHCLG) to support the implementation of Doncaster's Brexit planning for a period of two years (Ending 31st March 2021). (Doncaster's allocation equates to £210k).
4. Government has indicated that the decisions on how this grant will be utilised is at the discretion of Councils, with an expectation that it will fund additional planning and capacity. Therefore the proposition presented in this report is for the Council to use this funding to:

- Provide dedicated support to businesses to both mitigate any negative impacts of Brexit and take advantages of opportunities (for example to increase exports). This proposal levers in match funding from Doncaster Chamber which is estimated to be £196,400.
 - Establish a flexible Contingency Fund to allow the Doncaster to address the challenges created by Brexit as they emerge.
5. The business support approach directly addresses one of the key priorities identified in Doncaster's recently endorsed Inclusive Growth Strategy, which determines the importance of supporting our current businesses to export which enables employment growth, higher value goods and services (and therefore jobs) and improved productivity.
 6. The creation of a contingency fund support the Council's key role in minimising the risks and threats of the UK's exit on our communities, our role in ensuring community cohesion, mitigating safe regulatory standards for goods and livestock arriving into and out of Doncaster and future proofing Doncaster's businesses and workforce.

EXEMPT REPORT

7. The contents of this report are not exempt.

RECOMMENDATIONS

8. Doncaster Council has a critical role in minimising the risks and threats of the UK's EU exit on our communities and businesses, whilst also ensuring we maximise the opportunities this situation presents for Doncaster.
9. The proposed recommendations to Cabinet are fourfold, and are to be delivered within the financial years 2019/ 2020 and 2020/ 2021:
 - a) Firstly, to finance dedicated business support via Doncaster Chamber (£165,000) as described in paragraphs 14 to 20; this proposition levers in £196,400 match funding and will require the production of a funding agreement between both parties.
 - b) Secondly, to approve the creation of a Council Brexit Contingency Fund (initially £45,000) to cover any eventuality that arises;
 - c) Thirdly, delegate responsibility for the detailed decisions on draw down of funds from the Brexit Contingency Fund to the Chief Financial Officer [Assistant Director of Finance] in consultation with the relevant Portfolio Holder.
 - d) Finally, enable the ability for the Council to receive additional sums into the Contingency Fund from Government for the purpose of preparing and mitigating the impact of Brexit.
10. This report also recommends to Cabinet that if there are any impacts that we need to fund in addition to the Brexit fund these are to come out of Council reserves where possible, not mainstream budgets.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

11. The implications of Brexit on UK residents and businesses is hugely significant, with the agenda ever evolving as Government determine the different elements of legislation currently passing through Parliament; the report attempts to present options for mitigating the impact on Doncaster for both businesses and communities alike.

BACKGROUND

12. On the 28th January 2019 Communities Secretary Rt Hon James Brokenshire MP, stated 'Local authorities have a critical role to play in making a success of Brexit in their areas. I'm determined to ensure councils have the resources they need, which is why I'm releasing £56.5 million of extra finance to help them to deliver essential services and keep residents well-informed. This funding will not be the only resource councils receive from central government to fund Brexit costs'. Doncaster's proportion of this allocation equates to £210,000 to be paid across two financial years (18/19 and 19/20). A further £10 million will be allocated by Government during 2019/20 to respond to specific local costs that may only become evident in the months after the UK exits the EU.
13. In response to the opportunities presented by Government to finance Brexit preparations there are two fundamental propositions that we recommend financial support for, the rationale and justification for these are contained below, with the sole mantra that we need to take all reasonable steps to ensure our residents and businesses are supported through this difficult and challenging period of transition, that fundamental to this, the reforms below align to our regional tactical response on Brexit, and resonate with the spirit and reforms contained within the recently produced Inclusive Growth Strategy and the Doncaster Growing Together Programme.

Business Support

14. Doncaster Inclusive Growth Strategy demonstrates that Doncaster remains comparatively sensitive to economic shocks. One of the contributing factors to this lack of resilience is that Doncaster businesses export less than many other towns and cities. With Brexit imminent, there is an urgent need to put resources in place to support existing exporters, ensuring that Doncaster does not go backwards, and to support more SMEs to internationalise, diversify and reduce risk by reducing their dependency on domestic markets only.
15. Doncaster's new Inclusive Growth Strategy highlights the significance of international trade to Doncaster's future prosperity, with Doncaster Chamber currently providing a crucial role in this area within the short term, however the ability to keep pace with the negative effects of Brexit in the long term requires a support package that stabilises our economy and enables its growth; there are three areas where additional international trade capacity is required:

Trade Facilitation
16. Goods leaving and entering the UK require supporting documentation to demonstrate the contents and its origin. The documentation is extremely technical; with the likelihood it will become more complex in the near future

as a result of Brexit. This will place an extra burden on existing exporters and stretch the Chamber's current resource beyond capacity. The consequence of this could, regrettably, be significant delays and barriers to local firms when it comes to getting their goods out of Doncaster and into global markets. Government has labelled this work as being in the 'national interest' at this critical time for the economy.

Brexit Support

17. Doncaster Chamber network's 'risk register' poses circa 20 absolutely essential questions relating to business continuity to government. Presently, only a third of these questions have been satisfactorily answered by government leaving businesses with far more unknowns than knowns.
18. There is no resource that can be created that will, realistically, be able to address business concerns about Brexit as far as possible, businesses could be doing to mitigate risk, and make sure their goods get in and out of the country whilst simultaneously supporting firms to identify new opportunities in different markets. There is however, absolutely certainty, that firms will need assistance, support and regular signposting. They will also need someone who can play a facilitating role to ensure that, for questions that don't yet have answers, that government is being chased up and clarity and guidance sought.
19. As part of this overall proposition, it is therefore recommended that a 'Brexit helpdesk' is created as part of a broader suite of international trade provision in Doncaster ensuring that all Doncaster firms have access to a reactive resource that can constructively and practically respond to Brexit related queries and emergencies.

Internationalisation

20. In parallel with increasing trade facilitation capacity and providing a Brexit helpdesk, it is suggested that a more proactive plan is put in place to grow the number of Doncaster businesses that export by increasing the frequency and quality of export support services in the borough. In addition to developing existing activity (that is good quality but ad hoc and not utilised as much as it could be by industry) there is a need to do a more in depth piece of research into our export community to fully understand what their needs and issues are over the coming years. It is therefore also proposed that a core element of this work would be producing quantitative and qualitative research into 100 Doncaster exporters allowing for the intelligent development of future export support services (both commercial and funded).

BREXIT Contingency Fund

21. In our preparations for a post Brexit economy Government has released 106 technical notices to provide guidance on a plethora of EU related issues; in ensuring the impacts are mitigated as practically possible it is appropriate to create a Brexit Contingency fund (initially £45,000) to cover any eventuality that arises. This fund will provide a role in ensuring we minimise the risks and threats of the UK exit on our communities for example to support community cohesion, and mitigating the safe inspection and regulation of goods arriving and exiting through Doncaster, the latter being of extreme importance given the prominence of international gateways within

Doncaster.

22. Additional funding allocated to Doncaster for the purpose of preparing for or mitigating the impact of BREXIT will be incorporated in the BREXIT Contingency Fund. In addition the Council is seeking to maximise the resources that are brought into Doncaster to support Brexit, with a range of funding streams likely to be channelled through government departments over the coming weeks.

OPTIONS CONSIDERED

23. The deliberations contained within this report are based on scenario planning for a range of scenarios. The options available to us as a Local Authority may be limited - given our ability to influence the legislative reforms currently being debated by Parliament, however for the purpose of this report, the option presented to Cabinet include do nothing; the preferred option or a watered down version of reforms. Our favoured approach includes supporting communities and businesses alike, this option aligns to our Doncaster Growing Together Programme and the Inclusive Growth Strategy, and also presents Doncaster with an opportunity to enrich a sustainable economy.

REASONS FOR RECOMMENDED OPTION

24. Given the implications arising from Brexit it is appropriate to consider the risks associated with our business population and our communities in the transition period beyond April 2019. The approach suggested within the report details firstly a proposition by Doncaster Chamber to support our existing business community for a period of 2 years; the latter part is to provide dedicated responsive support to the Council to help meet individual requirements (ie the inspections of goods and services arriving into Doncaster). Therefore the package of support recommended within this report aims to mitigate some of the risks potentially experienced by our communities and businesses alike; failure to do nothing will result in a loss of financial resources or a detrimental impact on economy.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

	Outcomes	Implications
	<p>Doncaster Working: Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none">• Better access to good fulfilling work• Doncaster businesses are supported to flourish• Inward Investment	<p>The health of Doncaster's economy (jobs, growth and trade) is dependent on whether local business is able to plan investment based on a new trading relationship with the EU.</p> <p>All businesses are seeking a resolution to the UK's trading position. Once this is available, Team Doncaster will be able to determine its priorities for a new working partnership with the private sector.</p>

		The ability to support local companies to overcome BREXIT challenges is crucial to sustaining Doncaster's growth.
	<p>Doncaster Living: Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> • The town centres are the beating heart of Doncaster • More people can live in a good quality, affordable home • Healthy and Vibrant Communities through Physical Activity and Sport • Everyone takes responsibility for keeping Doncaster Clean • Building on our cultural, artistic and sporting heritage 	<p>The UK will remain in Europe, although not in the European Union. Cultural events and networks will still be open to UK communities.</p> <p>Investment in the town centres - as a catalyst for increasing productivity - will be one of the themes of the new UK Shared Prosperity Fund.</p>
	<p>Doncaster Learning: Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> • Every child has life-changing learning experiences within and beyond school • Many more great teachers work in Doncaster Schools that are good or better • Learning in Doncaster prepares young people for the world of work 	<p>In theory, Local Authorities and the Higher and Further Education sectors will still be able to participate in transnational EU programmes such as Horizon (research) and Interreg (knowledge exchange).</p>
	<p>Doncaster Caring: Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> • Children have the best start in life • Vulnerable families and individuals have support from someone they trust • Older people can live well and independently in their own homes 	<p>The Local Government Association is seeking guidance from Government on the implications for care responsibilities, particularly those with 'settled' status.</p>
	Connected Council:	

<ul style="list-style-type: none"> • A modern, efficient and flexible workforce • Modern, accessible customer interactions • Operating within our resources and delivering value for money • A co-ordinated, whole person, whole life focus on the needs and aspirations of residents • Building community resilience and self-reliance by connecting community assets and strengths • Working with our partners and residents to provide effective leadership and governance 	<p>Operations within the Council may need to adjust to new UK law e.g. human rights legislation and immigration policy.</p> <p>Council's role as community leaders will come to the fore.</p>
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RISKS AND ASSUMPTIONS

25. Given the very nature of Brexit there are significant risks to all Localities, for the purpose of this report we have listed the more appropriate:
26. **Impact on the economy and our residents** - Regional forecasts project lower medium-term growth when the UK exits the EU, given Doncaster is susceptible to economic recessions the requirement to support our business stock through these difficult times will be key.
- The UK Government is under great pressure to secure a trading arrangement that will allow the UK business to thrive. **Local business report the biggest impacts will be anti-competitive trade barriers, restrictions on the movement of goods and raw materials and product standards.** However, if the UK adopts a preferential trading relationship based on one set of trade rules (the Norwegian model), or a Canadian model where there will be rules for UK trade and another for EU trade, the Confederation of British Industry's (CBI) opinion is that in reality the UK's trading businesses and those in the supply chain will have to obey EU rules to trade with the EU - even if no deal is agreed.
27. **Productivity** - Productivity levels - the amount of value created for every hour somebody works – have been poor for the UK since the financial crisis and Doncaster has particularly struggled. The low wage/low skill/low productivity vicious circle affects Doncaster and Yorkshire more than most other parts of the country. UK per worker productivity has now fallen back to below its pre-recession 2007 level, with Doncaster ranking 59 out of 60 cities in the Centre for Cities report published in late 2017.
28. Our aim, through the evolving local inclusive industrial growth strategies and devolved powers, must be to drive up productivity, boost earning power and improve the quantity and quality of jobs.
29. There is an assumption that the Government intend to allocate additional funding to Council's to mitigate the impact of Brexit.

LEGAL IMPLICATIONS [Officer Initials SRF Date 19/3/19]

30. The Localism Act 2011 provides the Council with the so called general power of competence which allows a Local authority to do anything which an individual may generally do. The Council can utilize this power to put in place the dedicated business support and the Brexit contingency fund detailed within the report.

FINANCIAL IMPLICATIONS [Officer Initials...RI]

31. The withdrawal of the UK from the EU could have far reaching financial consequences, however it is difficult to quantify the effect until the detail of the final deal is known.
32. The Council has received £105,000 in 2018/19 and will receive another £105,000 in 2019/20 for Brexit preparation. There are no conditions attached to this grant. It is proposed to award a grant of £165,000 to Doncaster Chamber in 2019/20 and retain £45,000 as a contingency to allocate to projects as and when required. The awarding of the grant to Doncaster Chamber will need to comply with Financial Procedure Rules E.14 – E.16 which cover the approval required (Cabinet approval for grants over £50,000), the protection of the Council's interests, terms and conditions of the grant and the outcomes expected. As the money will be spent in 2019/20, the £105,000 received in 2018/19 will need to be carried forward into 2019/20. This will need to be approved by Cabinet.
33. There is the potential for the Council to receive further funding in 2019/20 should there be specific costs incurred. The use of the funding will be confirmed at that point in line with Financial Procedure Rules.
34. The Council is currently in receipt of European funding. The Government intends to underwrite the UK's allocation for structural and investment fund projects under this EU Budget period to 2020 in the event of no-deal and to consult on the UK Shared Prosperity Fund, a practical successor to ESF and ERDF, this year.
35. As part of local government funding, the Council retains 49% of locally collected business rates. This percentage is due to increase to 75% from 2020/21 meaning the Council will be more reliant on business rates to fund its activities. If there is a downturn in the economy following Brexit, this could result in lower than anticipated business rates and therefore have a direct impact on the funding of the Council.
36. Financial Management will continue to monitor the Brexit negotiations and update the Medium Term Financial Forecast accordingly.

HUMAN RESOURCES IMPLICATIONS Officer Initials CB

37. Employment regulations prior to the 29th March 2019 will continue to apply as well as existing enforcement arrangements and workers will continue to be entitled to the same rights as those are covered under The EU

(Withdrawal) Act 2018. It would seem likely that any new European Employment Regulations introduced during any transition period may well apply even though UK government representatives will not have participated in their creation. The Government have published a Guidance Document on workplace rights if there's no Brexit deal which indicates the intention to keep the majority of regulation with some amendments to reflect that the UK will no longer be a member of the EU. In the longer-term it will be easier for Parliament to cease, or amend, established rights without the intervention of the European Courts.

38. Free movement of workers will cease and it is highly likely that the UK's immigration regime will change following Brexit. This may leave the Council and other businesses at risk of losing workers especially low-skilled workers. The Government have recently introduced a toolkit to help employers and their EU staff understand and apply for UK settlement as Brexit approaches. The scheme will be phased in later this year, and will gradually open more widely until it is fully open. This will not protect the Council and other employer from the future risk of being unable to attract talent, having to increase the number of sponsored immigration applications or being unable to fill low skilled roles. There are also potential HR implications as EU funded posts cease and potential for increases in diversity incidents if tensions and divisions heighten.

TECHNOLOGY IMPLICATIONS [Officer Initials.....ET]

39. There are no anticipated technology implications.

HEALTH IMPLICATIONS [Officer Initials...RS.. Date]

40. There are significant health implications from Brexit. These are described in this paper. National health organisations are leading on much of the risk mitigation. However local impacts are being managed through the Local Health Resilience Partnership together with the local authority. Further work to assess impacts and ensure appropriate mitigation will be needed in the run up to the UK's exit of the EU.

EQUALITY IMPLICATIONS [CAF]

41. Decision makers must consider the Council's duties under the Public Sector Equality Duty at s149 of the Equality Act 2010. The duty requires the Council, when exercising its functions, to have 'due regard' to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the act, and to advance equality of opportunity and foster good relations between those who share a 'protected characteristic' and those who do not share that protected characteristic.
42. The Council will comply with amendments to UK law implemented as a result of the UK's exit from the EU.

CONSULTATION

43. A plethora of consultation has taken place on the impact of Brexit on Doncaster economy, most recently at an Overview and Scrutiny Panel which interviewed both Local Authority officers and the Doncaster Chamber CEO. The evidence from this session was unilateral support for targeted interventions that support both residents and businesses alike.

BACKGROUND PAPERS

44. There are no background papers to this report.

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