

# **COUNCIL**

## **EU Exit Planning and Mitigation**

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### **Reason for Decision**

Following the EU referendum on 23 June 2016, the UK voted to leave the EU (with 52% voting in favour of leaving). The official withdrawal process began when Article 50 was triggered on 29 March 2017, giving the UK until 29 March 2019 to negotiate a withdrawal agreement. This date was later extended to the 31st October 2019. This is distinct from a future trading relationship, which can only be negotiated after the UK has left the EU.

If the UK fails to negotiate the terms of its departure from the EU – a “no-deal” scenario – the UK would cease to have any formal relationship with the EU, with potentially no resolution on issues such as trading relationships and customs arrangements.

This report looks at the anticipated impact of leaving the EU and what Greater Manchester and Oldham can do to mitigate against any likely negative consequences.

### **Recommendations:**

1. To note the work that is ongoing to help Oldham plan and mitigate for a ‘no-deal’ EU exit.

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## 1. Background

- 1.1 Following July's Conservative Leadership election, a 'no deal' Brexit was looking increasingly likely. However, last week new legislation was progressing through Parliament, which requires the Government to reach a deal with the EU by the 19<sup>th</sup> October or gain Parliament's approval for a no deal Brexit by 19<sup>th</sup> October. If not, the legislation will require the Prime Minister to request a further extension from the EU. The legislation is now due to receive royal assent before parliamentary sittings are suspended.
- 1.2 Though a no deal Brexit is looking less likely, it should not be ruled out. The EU could reject the request for an extension, forcing a no deal Brexit. The Government is also intending to "test" the legislation, which could also result in a no deal Brexit if the legislation was successfully challenged.
- 1.3 A settled agreement would obviously be the optimum solution as effectively it would appear to ensure arrangements would continue as present and it could also generate a revival of investment, both domestic and inward. Leaving without an actual deal and transitioning to full WTO rules is widely agreed to be the worst option, and it is unclear what the impact would actually be, although potentially seriously disruptive.<sup>1</sup>
- 1.4 This report provides an overview of the potential impact of a 'no deal' scenario on Oldham. It does not provide a commentary on wider national trends or consider the broader impact on GM. The Greater Manchester Combined Authority publishes briefings on Brexit Preparations.

## 2. EU Exit Planning in Oldham

- 2.1 Planning for the future outside the EU is difficult as we do not know the outcome of negotiations. As a result, we are looking at the possible impact on the Council of a 'no deal' Brexit scenario. In February 2019 an officer led project group was established (Chaired by Paul Entwistle, Director of Legal Services), which includes senior staff from Finance, Communities and Strategic Reform, Legal Services, Public Protection, HR and Adults and Children's Services. The group has been working to:
- Ensure that the impact of Brexit has been considered in the context of service-level Business Continuity Planning.
  - Identify potential risks to the Council of a 'no-deal' Brexit scenario.
  - Review policies relevant to the management of these risks, to ensure they are fit for purpose in the new environment.
  - Monitor staffing issues following a review of services which could be most affected.
  - Monitor the impact and implications of any future agreement between the UK and EU.
  - Update elected members regarding the major categories of risk as appropriate.

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<sup>1</sup> If the UK left the European Union without a deal, it would automatically fall back on World Trade Organization (WTO) rules. Every WTO member has a list of tariffs (taxes on imports of goods) and quotas (limits on the number of goods) that they apply to other countries. These are known as their WTO schedules.

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- Make recommendations to Executive Officers on how the EU Exit mitigation funding should be allocated.

- 2.2 The department for Housing, Communities and Local Government, initially made £58m of additional funding available to support councils prepare for EU Exit. Of the initial £40m released, Oldham has been provided with an allocation of £0.210m divided equally between the financial years 2018/19 and 2019/20. Further funding has subsequently been announced and a sum of £20m has just been released of which the Councils share is once again £105k
- 2.3 To date, £20k of this funding has been allocated to support Oldham's Emergency Food Provision Sector (EFPS). See section 5.

### **3. EU Exit – Implications for Oldham**

#### **Economic Impact:**

- 3.1 Research undertaken by the London Chamber of Commerce suggests that the North West of England is one of the regions that is potentially most affected by any type of Brexit. Greater Manchester is likely to be more affected than the London, especially as GM has a significantly larger manufacturing sector which will likely see significant disruption to supply chains.
- Research by the GMCA team had suggested that in a scenario of Brexit without a trade deal, the only scenario that could then be calculated, Greater Manchester could be impacted by up to £150 million reduction in exports, with an average decrease in exports of 4.9% across all goods with manufacturing likely to be most exposed.
- 3.2 The London School of Economics/Centre for Cities study is suggesting that under soft Brexit Manchester could suffer a GVA loss of between 1.2 to 1.3% and under a hard Brexit a Gross Value Added (GVA) loss of between 2.4% and 2.7% by 2030.<sup>2</sup>
- 3.3 The British Chambers of Commerce's Quarterly Economic Survey – the largest private sector survey of business sentiment and a leading indicator of UK GDP growth – has found that underlying economic conditions remained stagnant in the second quarter of 2019. This points to the continued impact of Brexit uncertainty, rising business costs and tougher global trading conditions impacting the UK economy.
- 3.4 At a GM level there is ongoing activity to support GM businesses and raise awareness of the need to ensure preparations are underway for the changes resulting from Brexit. Concern has been raised regarding the preparedness of the SME sector specifically.
- 3.5 The Growth Company have increased activities to support businesses in their preparations for Brexit, promoting the use of their online Brexit planning toolkit which aims to support businesses to prepare for Brexit.
- 3.6 A multi-agency Economic Resilience Taskforce has been established, bringing together key GM bodies to try to ensure a coherent and comprehensive package of support as possible is provided to businesses and individuals should we exit under a no-deal scenario or an economic downturn occurs.

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<sup>2</sup> In economics, gross value added (GVA) is the measure of the value of goods and services produced in an area, industry or sector of an economy.

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- 3.7 If the UK leaves the EU without a deal, the UK will revert to World Trade Organisation rules on trade (apart from where free trade agreements have been 'rolled over') and any exports to the EU would be subject to EU tariffs, as well as authorisation and certification.
  - 3.8 On 13 March the Government published its tariffs and quota arrangements for the first 12 months after a no deal exit, which will have been welcome news for some businesses. However, significant disruption should be expected for businesses across Oldham and GM, at least in the short term.
  - 3.9 Oldham Council's Investment Team is working closely with the Greater Manchester Growth Company to ensure businesses in the Borough are supported, though until the full implications of the EU Exit are known, this support continues to be based on assumptions.

#### **4. Social Impact:**

##### **Poverty –**

- 4.1 According to work undertaken by the Joseph Rowntree Foundation, whilst the UK has not yet left the EU, the effects of the withdrawal process are already being felt. Following the 2016 EU referendum, the pound fell in value by roughly 10%, resulting in consumer price inflation as the cost of imported consumer goods and services rose.
- 4.2 It is estimated that the reaction to the EU referendum result caused a 1.6 percentage point increase in the inflation rate facing households in the bottom quintile of income. This has effectively increased the cost of living for the average UK household by over £400 annually.<sup>3</sup>
- 4.3 The JRF have stated that child poverty is set to increase across the country, and to affect poorer areas of the UK worst. This rise predates the Brexit vote and is driven by domestic decisions, however, many of the worst hit areas are highly exposed to changes in trade with the EU and any loss of regional funding.
- 4.4 A no deal exit could lead to price rises, falls in real wages, lower employment and lower tax revenues as the UK-EU trading relationship becomes increasingly distant. According to government figures, poverty rates are not predicted to be greatly affected by Brexit, but this is dependant on the support provided to low-income families to protect them from the effects of rising inflation and rising costs.
- 4.5 In short, for areas like Oldham and those places in Greater Manchester that are relatively worse off, households in these areas are likely to experience considerably more difficulty in adjusting to negative economic shocks resulting from Brexit in the longer term.

##### **EU Citizens' Rights –**

- 4.6 The government has published a policy paper on citizens' rights in the event of a no deal. It confirms that in the event of a no deal, the EU Settlement Scheme will continue to be implemented, enabling EU citizens and their family members living in the UK by exit day to secure their status and continue to be able to work, study, and access benefits and services in the UK on the same basis after we exit the EU as they do now. The scheme opened fully on 30 March 2019. The planned application deadline will be brought forward to 31 December 2020 in the event of a 'no deal'.

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<sup>3</sup> Since July 2019 the pound has slumped to a 28-month low as investors reacted with alarm to the escalation of no-deal rhetoric by Boris Johnson's government. This will have potentially increased the cost of living further, though no modelling has currently been undertaken to reflect this.

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- 4.7 The government has also confirmed the migration arrangements for EU and EEA nationals arriving after freedom of movement has ended in a 'no deal' scenario. These individuals will be able to travel to and enter the UK as now, but if they wish to remain for more than three months, they will need to register for European Temporary Leave to Remain which will be valid for three years. If they wish to stay after their temporary leave to remain expires, they will need to apply for the appropriate permission under the future immigration system.
- 4.8 The government has also issued guidance to employers on right to work checks in the event of a no deal. It states that there will be no change to the way EU, EEA and Swiss citizens prove their right to work until 1 January 2021.
- 4.9 As a local authority we are signposting residents to the Government's website where EU citizens can apply for settled status, as well as ensuring that our VCFSE partners are aware of how to signpost residents requiring further support. As well as online guidance, there is also a dedicated phone line for people who may need help with their application.

#### **Community cohesion –**

- 4.10 The teams in the Council continue to monitor community cohesion to ensure early identification of the issues.

## **5 Supply Chain Resilience:**

### **Food -**

- 5.1 There have been a number of announcements in relation to the potential impact on the Food Supply Chain and the wider Food System.
- 5.2 A report in 2015 estimated that there were approximately 10.7% of residents in Oldham in food poverty. This equates to over 24,500 people. Since then it is likely that this number may have increased based on national trends (reported by the Trussell Trust) and local impacts (e.g. Welfare Reform and Universal Credit).
- 5.3 The Growing Oldham: Feeding Ambition partnership first discussed the potential impact on the Emergency Food Provision Sector (EFPS) of any disruption to the food chain in December 2018. This could be due to a number of factors; Brexit, a change in retailers behaviours in relation to food waste/donations or an environmental event such as the 'Beast from the East'. The partnership agreed to carry out a survey to better understand the sector and any resilience within organisations helping feed people in food poverty.
- 5.4 Overall 14 surveys were completed by providers with a varied response of the work and service they carry out in the community respectively.
- 5.5 The EU Exit Steering Group met on the 13 March 2019 and decided to recommend to commit £20k to strengthen and increase resilience in the EFPS. This was ratified by SMT in March 2019, with the money now transferred to Oldham's Emergency Food Providers to support them to feed people in need.

### **Fuel –**

- 5.6 Though concerns have been raised at a national level about the availability of fuel in the event of a no deal exit, mitigation planning is being led by the Local Resilience Forum, liaising with national government as required, ensuring continuation of supplies and services.

### **School Meals –**

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- 5.7 In August 2019, a leaked report from the Department for Education (DfE) suggested that schools may have to close, exams could be disrupted and fresh food for pupils' meals could run short because of panic buying with prices soaring by up to 20%.
  - 5.8 Listing the actions the department would take in the event of food shortages affecting schools, the document says: "In light of any food shortages or price increases we will communicate how schools can interpret the food menu standards flexibly. DfE may make exceptional payments – or submit a prepared bid to HM Treasury for additional funding."
  - 5.9 Though this situation is being closely monitored by our Catering Team, none of our key suppliers have raised any concerns about potential food shortages. As a Food for Life Gold Award schools catering service, the majority of the produce used is from local sources, potentially meaning Oldham's supply chains will be less impacted than those that rely heavily on EU produce.

## **6 Organisational Impact:**

### **Business Continuity Planning –**

- 6.1 As part of our internal planning and mitigation process a proforma was sent out to all service areas, asking if the impact of Brexit has been considered in the context of their service-level Business Continuity Planning. Business Continuity Plans have been updated to reflect this. Oldham CCG have also prepared a plan detailing the actions that will be taken in the event of a no deal Brexit.
- 6.2 The key issues for health services were identified within the EU Exit Operational Guidance, which was published on 21 December 2018. This guidance highlighted seven areas where the government was focussing no deal exit contingency planning in the health and care system, namely: supply of medicines and vaccines; supply of medical devices and clinical consumables; supply of non-clinical consumables, good and services; workforce; reciprocal healthcare; research and clinical trials; and data sharing, processing and access.
- 6.3 Following the publication of the operational guidance, various actions were undertaken by NHS organisations in anticipation of the UK leaving the EU on 29 March 2019. These actions included: participating in regional workshops for Brexit; identifying a Senior Responsible Officer (SRO) for EU exit; undertaking Brexit assurance processes and 'temperature checks'; submitting daily and weekly situation reports for EU exit to national and regional coordination structures; and establishing local Brexit planning groups.
- 6.4 NHS organisations have been asked to ensure there is an EU exit team in place – Oldham CCG currently has a 'virtual team' in place that comprises appropriate leads for the identified priority areas, and this team will meet on 20 September to consider actions arising from the North West regional workshop. Oldham CCG has received assurance from local NHS providers that they also have similar teams in place.
- 6.5 In addition, NHS organisations have been asked to engage with local system preparations for EU exit – Oldham CCG is addressing this through its link with Greater Manchester (GM) Local Health Resilience Partnership, which is overseeing the wider NHS preparations for Brexit in GM and which has links to multi-agency planning groups such as GM Resilience Forum.
- 6.6 We have also sought assurances from larger providers who we directly commission, ensuring they have considered and appropriately planned for a 'no deal' Brexit. This

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included Virgin Cares Ltd (provider for integrated sexual health services), Bridgewater NHS Trust (provider for Right Start 0-5 service) and Turning Point (provider for substance misuse service).

- 6.7 Preparations for the health sector are being led nationally by NHS England and the Department for Health. There has been no requirement for the local NHS to stockpile any medicines or medical supplies. The most significant risk area identified is the reliance on EU workers in the health and social care sector, and how this will be impacted going forward. Work has been undertaken to support health and care workers to complete the EU settlement scheme.<sup>4</sup>

#### **Settled Status –**

- 6.8 We are working to identify any EU citizens that we employ (estimated to be around 40 – 50). Guidance was recently published in Manager’s Brief. Managers have also being sent a separate briefing on supporting staff with EU Settlement Scheme applications.
- 6.9 In addition to staff, we also have a responsibility to ensure that any looked after children with EU citizenship apply for settled status. We have identified a resource from the GM Immigration Aid Unit that will assist us to complete the more complex applications for these children. We have started to gather the ID evidence that is required to accompany these applications and will be looking at the children's immigration status individually with consideration also being given to applications for British Citizenship where appropriate. We are also signposting parents and carers of looked after children to an appropriate resource for support to make their own applications for settled status.

#### **Local Government Finance –**

- 6.10 Whilst the Government have made available a small amount of funding to support Local Government with Brexit preparations (see paragraph 2.2), there remains uncertainty about the impact Brexit will have on future economic growth, inflation or Government borrowing levels and hence public sector spending. It is clear that Brexit is a significant area of focus for the Government and may lead to a potential diversion of resources, which if it were to happen, could impact on future funding available to support Local Government. If this results in a change to the financial position of the Council, then Members will be advised accordingly and appropriate action will be taken.

#### **European Funding –**

- 6.11 GM partners are involved in 16 projects with an EU funding value of over €7m. In Oldham we are at the mid-point phase of 3 INTERREG Europe projects (Food Chains 4 EU, INNOVA Foster and Coalescce). We are also a partner on a recently approved NWE project with a UK lead partner (REDWoLF project, Leeds Beckett University).
- 6.12 Article 50 has been extended meaning the UK will continue to have all the rights and responsibilities of an EU member state. During this extension, UK organisations remain eligible to bid for funding, and approved project partners should continue delivering and making payment claims, throughout the extension period. The extension period is designed to ensure that a withdrawal agreement is in place before Brexit, but in the event of a no deal, the government guarantee remains in place for UK project partners.
- 6.13 In the event that the UK leaves the EU without a deal, the EU has published a contingency regulation to enable the continuation of the PEACE IV and Interreg VA (Ireland, Northern Ireland, Scotland) programmes. The UK, Irish government and the EU

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<sup>4</sup> Analysis undertaken by Skills for Care estimates that 94% of the health and social care workforce in Oldham is of British nationality, 1% were from within the EU and 5% from outside the EU.

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have noted their commitment to the funding of both programmes regardless of the outcome of negotiations on the UK's withdrawal from the EU. Work is underway with the European Commission to ensure that these programmes continue to operate as now.

## **7. Options (including recommended option)**

7.1 To note the work that is ongoing to help Oldham plan and mitigate for a 'no-deal' EU exit.

## **8. Financial implications**

8.1 The Government initially released £40m of funding to support Local Authority Brexit preparations, £20m payable at the end of £2018/19 and £20m at the start of 2019/20. The Council received a total of £210k, of which £105k was received at the end of 2018/19 and a further £105k at the start of 2019/20. As advised, £20k of this sum has been deployed to support food resilience.

8.2 On 3 August the Government announced the release of a further £20m of funding for all Local Authorities in England to aid Brexit preparations. The Council will receive a further £105k and whilst, as with the previous grant received, this funding is unringfenced, the Government's expectation is that it will only be used to enhance capacity and capability within Local Authorities to aid Brexit preparations.

8.3 As only £20k of the Government grant has so far been committed, the remainder, together with other funds held in reserve, is available to provide support as required. The requirement to allocate resources to respond to developments is therefore being kept under review.

8.4 The potential volatility of the financial markets around 31 October 2019 is an area of concern. To mitigate risk as far as possible, the Council's cash position is being monitored and investments are being managed in accordance with the Treasury Management Strategy which places security of investment as the highest priority. The creditworthiness of counterparties is being monitored.

8.5 The Government has recently announced a one year financial settlement for Local Authorities for 2020/21, with initial information available during September. This replaces the anticipated Comprehensive Spending Review (CSR) which would have provided longer term funding certainty for the Council and other Authorities. It is likely that the attention that has been given to Brexit has prevented the undertaking of the necessary preparatory work for the CSR and it is therefore to be deferred to 2020. It is expected that the one year 2020/21 settlement will incorporate any new funding from Government relating to the impact of Brexit. However, the quantum of resources for Local Government remains an issue of concern as there is no clarity in this regard. [Anne Ryans]

## **9. Legal implications**

9.1 Legal comments are included within the body of the report. [Paul Entwistle]

## **10. HR / People implications**



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- 10.1 The Home Office has recently stated that freedom of movement as it currently stands will end on 31 October 2019 and that arrangements for people coming to the UK for longer periods for work or study will change.
- 10.2 The end to free movement had already been envisaged under Theresa May's government in the event of a no-deal exit. However, to avoid a "cliff-edge" until a new immigration system could be put in place, the Home Office had planned to introduce transitional arrangements for EU, EEA and Swiss citizens (relevant citizens) and their family members arriving in the UK between exit date and 31 December 2020 i.e. those coming to the UK for short visits for any reason would be able to enter as they can now and stay for up to three months for each entry; and those wishing to stay in the UK for longer would need to apply for EU temporary leave to remain within three months of arrival (giving 36 months' permission to live, work and study) after which they would need to apply under the UK's future immigration system (which was expected to be introduced from January 2021).
- 10.3 The Home Office now indicates the shelving of these transitional arrangements to be replaced by a new immigration system immediately applicable to new arrivals following a no-deal exit. How this will work in practice, including the qualifying criteria and application process, remains to be seen.

However most commentary indicates that it is considered unlikely that there is insufficient time to put in place such a system before 31 October 2019 (assuming the UK's exit on that date) and we may end up with some form of transitional registration system as originally envisaged under Theresa May.

- 10.4 In the event of a "deal" and under current Home Office guidance, EU, EEA and Swiss citizens and their families living in the UK by 31 December 2020 will have until 30 June 2021 to make an application for status under the Settlement Scheme. (After this period, all EEA citizens will be required to apply for the right to work and stay under in line with whatever immigration regime is put in place).

In most cases, Relevant citizens and their families who have been continuously resident in the UK for five years will be allowed to stay indefinitely by obtaining "settled status" also referred to as "indefinite leave to remain".

Relevant citizens and their families who arrive by 31 December 2020 but have not been in the UK for five years will be eligible for "pre-settled status" (also referred to as "limited leave to remain"), enabling them to stay in the UK until they have been here for five years, at which point they will be able to apply for settled status.

- 10.5 In the event of a "no deal" the Settlement Scheme will only available to those employees **already resident** in the UK by the 31<sup>st</sup> October 2019 as long as they apply for status under the EU Settlement Scheme before 31 December 2020.

However, as a precaution, the council may consider encouraging existing relevant employee to obtain status under the Scheme before 31 October 2019 (or at least prior to their next trip outside the UK) to reduce difficulties on re-entry by having to prove their prior UK residence by some other means.

Proof of settled or pre-settled status will be provided through an online service; no physical document will be issued to them. Non-EU, EEA and Swiss family members in the UK granted status under the Settlement Scheme will be issued with a biometric residence document.

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The Home Office has indicated that those living in the UK before 31 December 2020 will not need to demonstrate their right to work again whilst they remain with their pre-31 December 2020 employer. As such it is presumed that the council will not be responsible for ensuring that existing employees have the necessary settled status

- 10.6 As there will be no transition period anyone wishing to relocate to the UK after 31<sup>st</sup> October 2019 would require immigration permission. It remains unclear in terms of how EU, EEA and Swiss Citizens will prove their right to work status to future employers (or indeed how employers will verify that status) as there is also no mention how right-to-work checks would be made on EEA citizens immediately after Brexit day in the event of no deal. This is of major concern as currently there is no easy way to distinguish between EEA citizens who qualify for, but have yet to apply for, settled status and others who will require an immigration status.
- 10.7 Impact on UK legislation - Many UK employment laws currently come from EU directives. At this time the government has not indicated it will make any immediate changes to employment rights however this may change under the new government.
- 10.8 Planning - Workforce analysis has been undertaken to identify those employees who are non UK nationals broken down by job role / work area, start date with the council and length of residence in the UK. The has identified that, like our sister GM councils we do have a limited number of such employees: approx. 40 and that this is spread out amongst council services.

In addition initial communications were sent out to the workforce at the end of March 19 with information regarding settled status and signposts to the relevant government websites.

- 10.9 Key themes of work remain:
- i) Communications with the workforce, with EEA employees specifically and with managers on the position, impact and key actions required as they become clearer.
  - ii) Employee support with applications and understanding their position and where they can find more information.
  - iii) Policy and process review and change. It is most likely to include the following but there may other implications:
    - Specific Recruitment
    - Right to work policy / documentation
    - Offer letters
  - iv) System development to ensure compliance and management action by, for example flags to ensure that future EEA national employees have the relevant rights to work or to identify where the employee is reaching the end of their immigration permission.
- 10.10 The change in Government and the increasing uncertainty over the arrangements in the event, and increasing likelihood, of a no deal means that there remains a significant number of questions for employers and EEA employees regarding the continued employment or recruitment of EEA nationals and details any immigration system that will need to be quickly developed. It will be most important to monitor the position closely and support employees with information as it becomes clearer.

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## **11. Links to Co-operative Values**

- 11.1 As a co-operative council, Oldham has a responsibility to ensure the authority and its key partners have considered the potential impact of a 'no deal' Brexit, ensuring that in this event we are able to continue delivering services that support the people of Oldham.  
(Jonathan Downs, SPP Manager – Corporate)