

CABINET MEETING: 11 OCTOBER 2018

POTENTIAL IMPLICATIONS OF A 'NO DEAL' BREXIT

LEADER (COUNCILLOR HUW THOMAS)

AGENDA ITEM:2

Reason for this Report

1. To advise the Cabinet on the potential implications for the Council of a 'No Deal' Brexit. The report, therefore, considers the potential consequences of a "No Deal" Brexit on Council Services and does not seek to offer commentary on any wider opportunities or challenges for Cardiff outside of the European Union.

Background

2. After Article 50 of the Treaty on European Union (EU) was invoked by the UK Government on 29 March 2017, a two-year process commenced which will see the UK leave the EU on 29 March 2019 or at the end of any agreed transition period. 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 the potential for no agreement on issues such as trading relationship or customs arrangements.
3. Following the EU Referendum held on 23 June 2016 and the UK's vote to leave the EU, the previous Cabinet considered a report on 14 July 2016 which examined the potential implications for Cardiff. As part of its decisions on this matter, the Cabinet agreed to work through Core Cities UK and the Welsh Local Government Association (WLGA) to make representations to the UK Government on key issues to be considered as part of future negotiations to leave the EU.
4. On 21 March 2017, Cardiff Public Services Board (PSB) considered a report, entitled 'Brexit – Implications for Cardiff', which identified some of the opportunities and risks for Cardiff, and how the UK and Welsh Governments could support the city to prepare for and respond to the impact of leaving the EU.
5. Work to ensure Cardiff's preparedness for Brexit has continued under the current administration, monitoring the position closely in terms of the potential implications for Cardiff's economy and public service provision in the city. This has included continued work with local public service partners through the PSB, and continued engagement with major

employers, including a workshop on the implications for the city's economy, chaired by the Leader of the Council, which was held on 8 May 2018. To outline the impact on Cardiff and other UK cities, the Leader of the Council joined the Leaders of Core Cities in meeting with the EU's Chief Negotiator for the United Kingdom Exiting the European Union, Michel Barnier, in Brussels on 19 February 2018 and has also given evidence to the Parliamentary Select Committee on 20 March 2018.

Issues

6. On 12 July 2018, the UK Government published a White Paper on the future relationship between the UK and the EU. This forms the basis of the UK Government's current negotiating position on Brexit. Following political criticism of the White Paper proposals, the ongoing uncertainty relating to outcome of the UK's negotiations with the EU means that the Council must plan for the consequences of the UK leaving the EU without an agreement.
7. In order to prepare for a possible 'No Deal' Brexit scenario, the Council has considered the potential implications for the delivery of its services. This work has drawn on the technical notices that were first published by the UK Government on 23 August 2018, which provide guidance to people and businesses about what they may need to do if there is a 'No Deal' Brexit. The Council has examined the relevant papers and used them to inform its ongoing assessment of the potential implications of a 'No Deal' scenario, which is attached as **Appendix A** to this report. The paper looks specifically at the impact on Council services. It does not seek to offer commentary on anticipated national trends – drawing only on the work of the Office of Budget Responsibility (OBR), Core Cities and the Council's own Budget Strategy – to provide a national and local economic context.

National and Local Forecasts

8. In November 2016, the OBR's Economic and Fiscal Outlook made a number of judgements about how the vote to leave the EU would affect the economy in the near-term. In March 2018, these judgements were compared against the latest outturn data, suggesting that most of their original judgements were broadly on track. Provided below is an overview of the OBR's forecast:
 - The UK would experience lower net inward migration;
 - The fall in the pound would raise inflation, placing pressure on real incomes and real consumer spending;
 - Some investment projects will be postponed or cancelled; and
 - The fall in sterling would boost net trade.
9. The OBR also noted that economic growth was already lower than forecasts suggested prior to the Referendum, stating that *"real GDP growth from second quarter of 2016 to the final quarter of 2017 has been 0.6 percentage points weaker than the final pre-referendum forecast of March 2016"*.

10. Analysis commissioned by the Core Cities on the impact of Brexit on city GVA suggests that every major UK city will be affected. The analysis, undertaken by Cambridge Econometrics – using an empirical macro-trade model to ‘scale down’ national sectoral impacts to city level using output structures of the cities – suggests that Cardiff’s GVA will fall by over 2.5% relative to the previously projected growth forecast (based on a “Remain” 2030 baseline).
11. If this forecast proves to be broadly accurate, then it is reasonable to assume that Brexit – whatever form it takes – could result in a reduction in public finances and a continuation of public service austerity. As the Council’s Budget Strategy Report 2019/20 and Medium Term stated in July 2018: *“A key uncertainty in the economic analysis is how Britain’s exit from the European Union (BREXIT) may ultimately affect forecasts. Throughout their analysis, the OBR note that because negotiations around the terms of exit are still ongoing, there is no firm basis upon which to reflect the end-point of BREXIT within their forecasts. It is also of note that... compared to two years ago, projections of growth are lower and the forecast national deficit is higher.”*

Citizens and Residency

12. The Home Office published the EU Settlement Scheme Statement of Intent in June 2018, having reached an agreement with the EU which guarantees the rights of EU citizens living in the UK and those of UK nationals living in the EU. Even in the event of a ‘No Deal’ Brexit, the UK Government has stated that there will not be a scenario where EU citizens will be asked to leave the UK. EU citizens living in the UK, along with their family members, will be able to stay with the same access to work, study, benefits and public services that they currently receive. Existing close family members living overseas will be able to join them in future.
13. An application fee of £65 for adults and £32.50 for children will apply, with the fee for children in local authority care to be refunded by the Home Office. A soft launch has been scheduled for late 2018 through a dedicated website and app, which are expected to be live in March 2019. A dedicated advertising campaign to promote and explain the scheme is also set to be launched. For those who are refused settled or pre-settled status and seeking to contest the decision, there will be a statutory right of appeal. The Home Office has also indicated that an ‘exceptions’ route will be available for a limited number of cases, such as trafficking victims who would be unable to provide the required evidence for settlement.
14. The Home Office anticipates that 80-90% of applications will be ‘simple’ cases, meaning that they are not anticipated to need any additional support or advice beyond what is available on the website or through the contact centre, which is set to be launched in autumn 2018. It is estimated that there are currently around 18,000 EU nationals resident in Cardiff. Drawing on Home Office assumptions, it can be estimated that circa 3-4,000 cases will not be considered ‘simple cases’ and will

therefore require more intensive support. It is reasonable to expect that many EU citizens will seek advice from Council hubs and libraries, placing demand on front line teams. It is also reasonable to expect that some of the most vulnerable groups in the city will require dedicated outreach work to support the settlement process, particularly those with no internet access or poor language skills. In anticipation of this, the Welsh Government has made available £1.3 million in funding that will help address the increase in demand for advice services from EU nationals. As part of this fund:

- £600,000 will be available to advice services.
- £600,000 will be available to fund specialist legal advice. This will focus on labour market exploitation and low-paid, insecure work for EU nationals.
- A proportion of the funding will also provide training for local authorities on duties towards homeless residents with complex immigration status under the Social Services and Well-being Act and other relevant legislation.

Community Cohesion

15. There is growing concern among local authorities, public service providers and third sector organisations about the impact of Brexit on local communities. A survey undertaken by the Local Government Chronicle (LGC) of 251 senior officers found that half of the respondents said that community cohesion in their area had worsened since the EU Referendum was held in June 2016.
16. Within Cardiff, the Welsh Extremism and Counter-Terrorism Unit (WECTU), Prevent and Community Safety (Council and South Wales Police) teams are currently undertaking work on a shared communication strategy. This will form part of broader initiatives – such as the Inclusive City and Rumourless Cities projects – which were established to address misconceptions and stereotypes concerning migrant and minority groups, improve labour market access for newcomers, promote social contact between groups and improve the coordination of integration-related services such as ESOL in the city. Work is also ongoing to ensure key outputs from these projects are in place by May 2019 so that specific interventions are in place to support a strong messaging campaign focused on inclusion, cohesion and integration.
17. The Welsh Government intends to bring forward a 2-year cohesion fund, which will provide an additional £760,000 a year across Wales for community cohesion-related work (£1.5 million total value). It is anticipated that the funding will be used to build small teams around each existing regional co-ordinator, providing approximately 3-4 additional posts per region.

Labour Market & Council Staff

18. Overall, 3.3% (6,676) of the people working in Cardiff are from EU (non-UK) countries. Wholesale and retail trade (15.2%), human health and social work activities (13.1%) and education (11.1%) are the Cardiff-based sectors which are most reliant on EU workers. Two sectors have been identified in Cardiff where potential restrictions on the free movement of labour could exacerbate known recruitment issues – the Health & Social Care and the Construction Sectors.

Health & Social Care Sector

19. The challenge of delivering social care is already widely recognised at the national level, with a broad agreement that it is underfunded relative to the scale of demand and already experiencing long-standing recruitment and retention challenges. It is also considered to be one of the sectors that are most vulnerable to changes in migration patterns. It is estimated that non-UK EU nationals make up 7 per cent of the social care workforce at the UK level so any reforms as a consequence of leaving the EU will have significant impact. Importantly, there are variations according to place for the social care sector, ranging from 13 per cent of the workforce in London to 2 per cent of the workforce in the North East of England. In the absence of detailed organisation data, the Council can assume, based on the extrapolation of city-wide figures, that around 13% of the Adult Social Care workforce's participation in the labour market may be influenced by Brexit.¹
20. If Brexit was to create a less favourable environment for EU workers, there is potential for shortfalls in the Adult Social Care workforce. A tightening labour market could also result in wages being competed upwards, meaning further cost pressures in the sector.

Construction Sector

21. Labour shortages are increasingly apparent in the construction sector with the impact on sub-contractors and their respective supply chains already evident. The current skills shortage in the construction sector can be attributed to major national projects such as HS2, Hinkley Point and Transport for Wales (TfW) projects creating acute demand. Demand is increasing for all construction skills, from manual workers to professional services. Any restriction on the free movement of labour across the EU can be expected to further impact trade skills availability. The anticipated capital spend following the announcements on 21st Century Schools Band B funding, the award of the Metro contract and other major capital programmes is therefore likely to create inflationary pressure within Wales.

¹ Section 5, Appendix A, Operational Report

Council Staff and Implications for Service Areas

22. There is no data immediately available on the number of non-UK EU workers employed within the Council, or working in areas directly commissioned by the Council. Extrapolating Cardiff-wide data into Council directorates would, however, suggest that social care and aspects of facilities management would have a relatively higher proportion of non-UK EU workers. It is not anticipated that Brexit will have a major impact on staff directly employed by the Council, based on the assessment of operational managers. The Council does verify the country of origin of new appointments to ensure they have the right to work in the UK; however, this is a relatively recent development meaning that there is no historic data available.

Employment Law

23. Employment law in the UK is derived from a number of sources, including Acts of Parliament. EU legislation, however, currently provides the leading source of UK employee protection. The UK Government's White Paper, 'The Future Relationship between the United Kingdom and the European Union', proposes that there be no regression in employment laws (paragraph 123). No EU based laws will be repealed, meaning that TUPE, the Working Time Regulations, collective consultation requirements and much of the discrimination legislation will not be amended when the UK leaves the EU. It should be noted that the UK Parliament will now have legislative responsibility for a number of areas which affect workers' rights, which have been subject to calls for deregulation in the past.

Structural Funds & UK Shared Prosperity Fund

24. The EU has been the biggest single financial contributor to regional and local economic development across the UK. In the present EU spending round (2014-20), the UK receives £9bn from the EU Structural Funds, or around £1.3bn a year. Wales is expected to receive €2.43bn in EU Structural Funds which, per head, represents substantially more than Scotland, Northern Ireland or England. Changes to regional funding post-Brexit therefore represent a significant funding risk for Wales. For example, had the current EU funding round been allocated using the Barnett formula, Wales' allocation would reduce from €2.2 billion to €562 million.
25. In principle, the UK will continue to benefit from all EU programmes until the end of the current budget plan (2014-2020). This is supported by the European Commission and UK Government's 'Joint Report' published in December 2017 which states that '*Following withdrawal from the Union, the UK will continue to participate in the Union programmes financed by the [Multiannual Financial Framework] MFF 2014-2020 until their closure...*'

26. Cardiff Council currently has two live projects supported by approximately £1.2 million in funding through the European Social Fund (ESF):
- Inspire2Achieve – this relates to tackling NEETs and the Council has been recruiting staff to this project to support delivery. The European Social Fund money earmarked for the Inspire2Achieve project would appear secure; however, everything is currently subject to negotiations with the European Commission. The Council has £600,000 of match funds at stake in this project.
 - Communities4Work – this a Welsh Government-led project involving Communities First clusters.
27. Cardiff Council's exposure to European Structural and Investment Fund (ESIF) programmes for 2014-2020 is therefore relatively limited in comparison to other local authorities in the West Wales and the Valleys region. There is, however, significant EU funding in pipeline projects that will impact on Cardiff, including approved funding for compound semiconductor investment and business support. EU funding has also been allocated for business support and other investment to improve business activity and productivity across East Wales. On transport, Phase 2 of the Metro includes some £103 million EU funding, which would need to be spent within the next five years.
28. It should also be noted that the UK Government's guarantee is not legally binding. As a consequence, there is growing concern regarding whether or not the UK Treasury will meet all the financial commitments previously made to Wales.

The Future of Regional Funding

29. Even if a deal is reached, EU Structural Funds will come to an end after the UK's withdrawal from the EU. The replacement for EU funding is entirely a domestic UK matter and the UK Government has proposed the creation of an alternative funding system, the 'United Kingdom Shared Prosperity Fund', led by the Department for Communities and Local Government (DCLG). There is currently limited information that is publicly available on the Shared Prosperity Fund, but a public consultation setting out the details of the fund is expected this Autumn.
30. During the EU Referendum campaign, commitments were made that Wales would continue to receive the equivalent amount of regional development funding post-Brexit. There has been no subsequent guarantee that this will be the case, presenting the risk of a significant loss of regional funding to Wales post-Brexit. There is also no clarity as yet whether the funding will be devolved to Wales to administer, or whether the fund will be administered by the UK Government. Furthermore, it is not yet clear whether the fund will be one into which competitive bids must be placed.

31. It is anticipated that, in England, the majority of funding will be allocated at a city-regional level to Combined Authorities and Local Enterprise Partnerships (LEPs). City-regions in England are therefore currently preparing local Industrial Strategies, aligned to the aims of the National Industrial Strategy, which will be used to inform the allocation of this funding at a local level. It is possible that there will be a similar expectation for the devolved administrations, even in view of the devolution settlements. There may therefore be a need to establish local and regional priorities for investment, covering both capital and revenue projects.
32. The UK Industrial Strategy also identifies a number of national 'growth corridors' at which infrastructure funding will be considered and through which some international trade and investment activity will take place, including the Northern Powerhouse, the Midlands Engine and the 'Western Powerhouse' of the West of England and the Cardiff Capital Region.
33. The reform of regional funding and the proposed creation of the Shared Prosperity Fund therefore present significant risks to Wales in terms of the overall funding for regional development. However, it also offers some important opportunities for reform that could support the Capital Region's economic growth agenda. In particular, removing the artificial funding boundaries associated with EU Structural Funds represents an opportunity to align available funding in support of the job creation schemes identified by the Capital Region's funding priorities.
34. Cardiff Council is currently working with local partners and the Centre for Cities to prepare a local industrial strategy that identifies local priorities for investment alongside working with the Capital Region to identify regionally significant infrastructure projects. Cardiff is also working with Bristol and Newport – through the Great Western Cities initiative – to develop joint priorities for infrastructure investment and to agree a joint approach to international investment and trade support in complementary economic sectors (e.g. TV and Film; aerospace; microelectronics).

Investment, Trade and Industrial Strategies

35. In 2016, Welsh goods exports were £14.6 billion and, in 2015, service exports were £1.7 billion. For Wales, 61% of goods exports went to the EU and 35% of services exports went to the EU. Cardiff is currently positioned in the top five British cities most reliant on EU markets, with 61% of Cardiff exports going to EU countries. A Welsh Government report, "Trade Policy: the issues for Wales", notes that:

"The economy of Wales is deeply embedded within that of the wider UK. Trade gravity helps explain why Wales trades more with Europe than the rest of the world. It is very unlikely that, in the short term, free trade deals with other countries — even the USA — could compensate for the loss of full and unfettered access to the Single Market. Any such suggestion would need to be supported by convincing evidence. Evidence we have yet to see."

36. It is therefore important that businesses in Cardiff are supported to develop greater international trade and investment opportunities, particularly from emerging markets. In preparation for competitively positioning Cardiff in the post-Brexit trade landscape, representatives of the Council have met with the UK Government Trade Commission to discuss new opportunities and the support that will be available to cities and regions to develop new trade and investment opportunities. As part of this approach, a Council delegation visited China, Qatar and Romania in September 2018 in a bid to secure trade and investment deals for the city and to present a significant range of major investment opportunities in Cardiff to leading sovereign wealth funds and potential investors.
37. In global terms, there is a recognition that Cardiff and its region lacks the requisite scale to compete for larger inward investment propositions. As noted above, in view of this, there is an opportunity for the Council to work with the Great Western Cities of Newport and Bristol, and others, to develop an international investment and promotion strategy for the Western Corridor.
38. On 1 May 2018, a roundtable event was held in Cardiff for businesses to consider the impact of Brexit. The event was hosted by the Leader of Cardiff Council and chaired by Professor Kevin Morgan, Dean of Engagement at Cardiff University. Business representatives were drawn from a range of sectors and the key conclusion was the need for clarity from the UK Government on the nature of the deal being negotiated so that businesses could prepare effectively.

Impact on Capital Projects

39. There is a potential impact on raw material and other input costs for capital schemes, as well as the known labour market pressures within some sectors. A high volume of Council spend is conducted through the Council's two collaborative frameworks – Schools and Public Buildings (SEWSCAP) and Civil Construction (SEWH) – both of which cover the Cardiff Capital region:
- The Schools and Public Buildings (SEWSCAP) Framework currently being advertised and will be awarded in April 2019. This 4-year framework accounts for approximately £1bn of spend.
 - Civil Construction (SEWH) Framework currently being advertised and will be awarded in November 2018. This 4-year framework accounts for approximately £85m of spend.
40. In relation to construction contracts, overheads and profits will be fixed. There will be variability in relation to costs of raw materials; however, secondary competitions will drive cost efficiency whilst Civil Construction contracts are subject to a schedule of rates agreed annually. The provisions afforded through four year procurement frameworks therefore provides a certain degree of certainty in the procuring of goods and services until around 2022. However, given the scale of the construction

agenda across the UK and within Wales, there are already indications that the public purse will be subject to inflationary and capacity pressure, independent of – but potentially exacerbated by – the impact of Brexit.

Business Continuity Planning

41. On 23 August 2018, the UK Government released a series of technical notices providing advice and guidance to organisations for responding to a ‘No Deal’ Brexit. The Council is cognisant of a number of issues that, under a ‘No Deal’ Brexit, could result in severe disruptions to the city and the ability of the Council to deliver services. These include:

- **Food Shortages:** Dominic Raab MP, Secretary of State for Exiting the European Union, has stated that the UK Government “... *will look at this issue in the round and make sure that there’s adequate food supplies. It would be wrong to describe it as the government doing the stockpiling.*” Though there is little detail available, the statement suggests that the UK Government is undertaking preparatory work, and it is likely that Local Authorities might be called upon to coordinate a local response if, or when, any National Risk Assessments of a “No Deal” Brexit are released.

Further to this, there are potential implications for the price and availability of some food products. A House of Lords European Union Committee report, “Brexit: food prices and availability” stated: *“If no agreement is reached, and food imports from the EU are subject to the same customs and border checks as non-EU imports, the UK does not have the staff, IT systems or physical infrastructure to meet that increased demand. Any resulting delays could choke the UK’s ports and threaten the availability of some food products for UK consumers.”*

- **Medicine Shortages:** Matt Hancock MP, Secretary of State for Health and Social Care, has confirmed that the UK Government is “*working with industry on the need for stockpiling [of medicines] in the event of a No Deal Brexit.*”

The “Trade Policy: the issues for Wales” produced by the Welsh Government states that they are “*particularly concerned where this [No Deal Brexit] could affect the availability of goods, medicines and medical devices.*”

“Leaving without a deal, with the possibility of tariff and non-tariff barriers, would cause problems for the Welsh NHS. There would be a real risk of disruption to supplies of medical products and a potential rise in drug prices which would compound existing financial challenges. It could seriously undermine the ability of health and social care organisations in Wales to keep delivering the best care to patients.”

- **Disruption to fuel supply:** The UK Government’s Guidance Note on Oil and Gas suggests that the UK has existing provisions to

maintain emergency oil stocks that can be released in response to disruptions to the oil market. That said, the fuel protest of 2007 demonstrates that any disruption to supply can be compounded by consumer behaviour where excessive demand creates the shortfall.

- **Disruption at Ports:** At airports and seaports, local government is responsible for checking food and feed imports and products of animal origin. This work protects the integrity of food systems and helps to ensure that residents are safe. A number of risks have been identified in the event of a 'No Deal' Brexit:
 - The City of London, which provides port health services at a number of ports, estimates that, were imports from the EU subject to the same checks as imports from elsewhere – as they could be under a 'No Deal' scenario – there could be an increase of up to 25 per cent in the checks that they are required to undertake. Similarly, National Trading Standards has estimated that its teams at ports and borders would need to double the number of inspections they currently undertake in order to maintain the same proportion of inspections if consumer goods from within the EU come within the remit of its work in the event of a 'No Deal'. This could cause severe disruption to the local economy, transport networks and would require substantial new resources to deliver.
 - Duties and inspections at ports – and beyond – are reliant upon UK access to European-wide databases which provide much of the intelligence for assessing risks. Under 'No Deal', there would be no access to such EU databases meaning that more checks would be inevitable, valuable protections would be weakened if there is no viable UK alternative database. Again, without substantial extra resources, more checks are likely to lead to delays at ports, particularly where there is limited space to process them.

A national decision could be taken to keep ports of entry moving quickly to avoid queues, on the assumption that regulatory services inland could assess the risk of goods when they are sold locally. However, local regulatory services capacity has reduced by around 50 per cent following cuts to local government funding, and without additional resources local authorities would be unable to absorb any additional work arising as a result of exiting the EU.

- **Civil Unrest:** A number of Local Authorities have cited the potential for social unrest following any withdrawal from the EU, as neither Leave nor Remain voters feel their concerns are being met.

42. At present, it is difficult for the Council to make any determination on the likelihood of these scenarios occurring in the absence of any published national risk assessment work. The WLGA has noted that "Wales cannot prepare for Brexit in isolation and Cardiff's ability to plan is constrained by what the UK Government shares". Unless and until detailed plans for

a range of issues, such as possible new border checks at ports are released, there are limits to local preparation and operational readiness.

43. It is prudent, however, for the Council to be aware of all the possible consequences so that Business Continuity Plans can be tested by Plan Leads and that the Council's embedded emergency management infrastructure is ready to respond. For example, service areas delivering support to vulnerable people have already been requested to consider the impact of any disruption to supply chains within their normal business continuity planning and procedures. On the specific issue of Health and Social Care, representatives from the Council's Emergency Management Team have met with their counterparts in the Cardiff & Vale University Health Board to discuss the likely impact of Brexit and consider any coordinated activity.
44. The Council understands that if, by November 2018, a "No Deal" scenario looks likely, then the UK Government will release a series of 12 detailed risk assessments to all public bodies so they can start to plan in detail for the consequences of a 'No Deal' Brexit. This would be the point where detailed business continuity planning arrangements should be undertaken by local authorities. A Corporate Brexit Response could be convened to address the specific guidance. This might include a corporate exercise including all silver command and gold command officers, as was previously undertaken in preparation for major events such as UEFA Champions League Final, if considered necessary. This work will also identify any specific preparatory arrangements that may need to be taken with partner organisations.
45. The Council's most critical and time sensitive activities, which could be impacted by staff loss or supply chain issues, will be considered through the continuity plan review with a view to providing an assurance statement about their readiness for a 'No Deal' Brexit scenario. It should be noted that responding to any supply chain failure would be a national issue and that, under such circumstances, the UK Government would be expected to issue a national emergency management response to local authorities and other affected partners.
46. The Council's emergency response infrastructure was tested during the snow event in March 2018 and was proven to be both resilient and effective. A number of key areas demonstrated the ability to continue essential services and support vulnerable people during a period of severe disruption.

National Response through WLGA

47. The Welsh Government announced a £50million European Transition Fund in January 2018 to help organisations across Wales prepare for the impact of Brexit. The Cabinet Secretary for Local Government & Public Services announced on 10 July 2018 that the WLGA had been successful in bidding for funding under the European Transition Fund totalling £150k. This money will support the WLGA in delivering a European Transition support package to all 22 local authorities across

Wales, helping them to build resilience and take a focused approach towards leaving the European Union. The WLGA is delivering a Brexit Transition Support Programme for Welsh local authorities, using funding from the Welsh Government's EU Transition Fund.

Reason for Recommendations

48. To ensure that the Cabinet is informed of, and is able to assess, the potential implications of a 'No Deal' Brexit, which will enable the Council to plan effectively and implement remedial measures, as appropriate.

Financial Implications

49. The report sets out a range of potential implications for the Council in the event of a 'no deal' Brexit including a number of potential financial implications. These include areas such as advice and support on citizenship and residency, community cohesion, the impact on the labour market and Council staff, changes in relation to structural, investment and regional funding, the impact on capital projects and investment, trade and industrial strategies and business continuity planning. The report also sets out a number of areas where the Welsh Government has already applied for or identified financial support and this includes services such as advice and support on citizenship and residency and community cohesion. Overall, the impact, timing and extent of the implications will depend on a range of factors and circumstances, however at this stage there are no financial implications arising directly from this report.

Legal Implications

50. Many legal obligations imposed from Europe have been specifically enacted as UK national law. Therefore even if the UK leaves the EU in a No Deal scenario they will remain in force as national law unless and/or until the UK decides to revoke or replace them. Areas relevant to local government include procurement, state aid, employment, and immigration rules. The speed with which the UK will be able to make changes will vary in relation to the particular sectors. Where specific legal implications arise in relation to the subject matter of this Report they are referred to in the text of the Report.

RECOMMENDATIONS

Cabinet is recommended to:

1. Note the contents of the report and appendix;
2. Agree to continue to work through the Cardiff Public Services Board to monitor and respond to any potential impact on public services in the city;
3. Consider any issues escalated as part of the ongoing review of Business Continuity Plans by Plan Owners;

4. Write to the Secretary of State for Exiting the European Union requesting any and all information and analysis, even if deemed confidential, about the impact of the UK's withdrawal from the European Union under a "No Deal" scenario.
5. Consider a further report if and when the UK Government publishes National Risk Assessments on the impact of a No Deal Brexit.

SENIOR RESPONSIBLE OFFICER	PAUL ORDERS CHIEF EXECUTIVE
	5 October 2018

The following appendices are attached:

Appendix A: The Potential Implications of a "No Deal" Brexit for Cardiff Council
– Operational Briefing Note

The following background papers have been taken into account:

UK Government White Paper – The Future Relationship between the United Kingdom and the European Union, 12 July 2018

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/725288/The_future_relationship_between_the_United_Kingdom_and_the_European_Union.pdf

Cardiff Public Services Board Report, 21 March 2017: Brexit – Implications for Cardiff

<https://www.cardiffpartnership.co.uk/wp-content/uploads/ITEM-4-BREXIT-Cardiff-Full-Report.pdf>

Cabinet Report, 14 July 2016: EU Referendum Implications for Cardiff

<http://cardiff.moderngov.co.uk/documents/s11496/CAB%2014%20July%202016%20-%20EU%20Referendum%20Implications%20Final.pdf?LLL=0>