

## Working group on the UK's exit from the European Union

24<sup>th</sup> November 2016

Paper C

### **EU policies affecting Lincolnshire**

EU policies affect a significant number of aspects of national and local life. The government plans to transfer the various policies back to the UK statute book and then adapt/amend/delete them for domestic purposes.

The House of Commons library has produced a 175 page briefing paper on the subject ("Brexit: impact across policy areas", 26 August 2016).

Prior to the EU referendum LCC's Economic Development Unit undertook some initial research to assist with any enquiries that might be received. This is attached as appendix A to the report. Although the paper was produced in spring 2016 and it refers to the positions of the Remain and Leave campaigns, it nonetheless provides statistical information that is particularly relevant to the working group.

Some of the main considerations over the UK's exit from the EU could be listed as follows:

#### Trade

The UK will need to establish new trade agreement across the world. This appears to be a high priority to the May government, with an expanded Department of International trade being created.

Just 14% of Lincolnshire businesses export. Typically, exporters invest more in their product, staff development, and innovation and therefore it is beneficial to an economy to have a high number of exporters. (A decade or so ago 19% of businesses exported, two thirds of whom exported to the Eurozone so it is likely that the reduction in exporters is directly related to the troubles in the Eurozone).

On average, two thirds of regular exporters will increase the amount of exporting that they do – therefore an important part of any exporting strategy should be to increase the amount of exporting undertaken by regular exporters. This is where the benefits to the local economy will be bigger. 19% of regular exporters in Lincolnshire have identified the BRIC countries (Brasil, Russia, India, and China) as markets they would wish to access. 10% of regular exporters state that they would welcome assistance in establishing a dialogue with prospective customers and 6% identify that building a relationship with key influencers will be beneficial. (NB. Dynex Semiconductors, who are owned by a Chinese business in Hunan have often stated that the support of LCC helps them to demonstrate their importance to their Chinese owners/investors).

Non-exporters will typically seek to enter markets that are closer to the UK and they will need substantial support ranging from advice through to trade missions.

Lincolnshire and UK Trade and Industry are agreeing a joint export plan; this is being done under the aegis of the devolution deal and there could be the potential of using some of the revenue section of the devolution deal to support this work.

UKTI will deliver the majority of the work –advice, support, trade missions, etc. However, LCC can play an important role in helping exporters to assist in establishing a dialogue with new customers and in building a relationship with key influencers. That is why we have signed an economic friendship agreement with Hunan and are exploring the same with Indian and US partners. Building those relationships will give Lincolnshire businesses a "foothold" in new markets that they wish to access.

Relationship building is a slow process, and this is particularly the case with Chinese and Indian partners. In the case of the Chinese partner, officers are already exploring a bid for FCO funding to develop trade links in the adult social care field, and educational organisations are making a visit to Hunan to seek new business opportunities.

Entering into a relationship, receiving and making civic visits but importantly leading business visits to the area, will have a short term cost. However, as this short term cost will lead to export trade and subsequently for businesses to invest in their product, staff, and growth then the short term cost will have a longer term benefit.

### Sectors, growth, and business

**Agriculture** -it is estimated that Common Agricultural Policy payments to Lincolnshire farms is in the region of £150m per annum (15% of the value of the sector). A domestic agricultural policy is likely to be a priority for government –but there is a debate over whether this should cover food policy, agricultural policy, or rural policy.

The Lincolnshire Forum for Agriculture and Horticulture, which was established by LCC, recently held a debate on what it would like to see from a new domestic policy. This will be promoted to DEFRA politicians and officials. It proposes that a domestic policy would cover:

*The greater Lincolnshire Forum for Agriculture and Horticulture encourages government to replace EU agricultural policies with a robust, focused, and well-resourced UK policy which:*

- *Combines actions on agriculture, food production, energy and landscape so that the contribution of the food value chain to the economy, environment and community is increased*
- *Helps the United Kingdom to grow more, produce more and sell more of its agri-food products and knowledge – achieving the twin aims of increased food security and increased exports of both food and agri-food technology*
- *Invests in efficiency and higher productivity in the food value chain – focusing more investment on innovation, skills, automation, and land and water management*

A combination of the low level of the pound affecting the cost of the importing raw food products, the implementation of the National Living Wage raising labour costs, and continued reductions in supermarket prices affecting the amount that producers are paid will all have a significant affect on the viability of food producers in southern Lincolnshire.

One of the main ways that food production businesses can both reduce costs and raise productivity is through increased mechanisation. LCC should prioritise this, facilitating higher education/business linkages in the food production sector. This

could become an important aspect of our engagement with the business community and be a focus of the Food Enterprise Zone in Holbeach.

**Funding for growth** – HM Treasury has stated that projects which have received their EU funding contract by the time of the autumn statement will be honoured. HM Treasury have also committed to explain what will happen to other EU bids in the period between the autumn statement and the point when the UK formally leaves the EU. Work is in hand to prepare a caseload of the strongest projects for Lincolnshire.

Government has stated that it will redesign the regeneration funding that will replace EU funding after Brexit. This redesign will affect regeneration, business, and skills funding (EU funding is worth approximately £15m per year to Lincolnshire). The redesign needs careful consideration, and there needs to be a tactical approach to our input so that Lincolnshire's needs are best represented in the design. This will need to be a significant priority for officers.

Greater Lincolnshire LEP is part of a small group of LEPs who are working with government on the design of a new funding programme to replace EU funding. The group has identified several principles which it would like to see in any programme. These are set out below:

- *Balance to be struck between economic need and growth opportunity (recognised in Single Local Growth Fund deals) which will help to achieve the prime minister's ambition of having "an economy that works for everyone".*
- *Medium to long time period (covering a period of time that gives the longer term certainty, LEPs like the 7 year EU programmes offered). As a minimum, the Future Funding should operate on at least a 5 year period from 2020 to 2025.*
- *Single investment programme (covering a mix of capital and revenue, with the freedoms to move funds between capital and revenue to take advantage of unforeseen opportunity and need).*
- *Mix of 5 year core investment settlements, that are "topped up" annually through several rounds of funding (for areas to be rewarded, bid for more as growth opportunities arise, dealing with unexpected issues particularly the unknown from Brexit).*
- *Locally run schemes (delivering more effective local integration of public investment which leads to additional benefits when programmes are locally aligned; and is more cost effective to administer).*
- *Leverage of private sector investment (to increase value of money and also delivers more) which is appropriate to the area in which the investment takes place.*
- *Culture of investment not grant (encouraging different ways of raising capital by unlocking other investment schemes – off balance sheet, investment bonds, hypothecated land duty tax etc.).*
- *Cross LEP collaboration (both with neighbours in shared sub-national geographies and linking with other areas across the country with places of similar strengths on particular themes).*
- *Include those things that are important to economic growth but which were excluded from EU funding programmes: young people, schools, careers advice, sectors such as tourism/visitor economy, and projects which improve connectivity.*
- *Linking strongly to the Industrial Strategy (there is likely to be reference to future of ESIF in Industrial Strategy Green Paper).*

**Procurement** -most of our procurement constraints flow from EU legislation. At face value our exit from the EU will avoid the need to comply with public procurement rules.

However, Eversheds (the legal firm who provide technical advice on procurement and state aid to LCC) produced a discussion paper following the EU referendum ("The effect of Brexit on UK Public Procurement", Eversheds, 30<sup>th</sup> June 2016). It explained that most international trade deals include procurement and state aid principles to avoid trade patterns being distorted by public intervention.

### The environment

Most of the UK's environmental legislation flows from EU policy. Whilst many environmental matters are at a macro-level, some directly affect Lincolnshire and the LCC. These include the waste recycling directives and those elements of countryside stewardship which contribute to the landscape in Lincolnshire.

Waste recycling directives, for example, have a direct cost and impact on LCC.

The House of Lords EU Energy and Environment Sub-Committee is conducting a short inquiry exploring the future of environment and climate change policy following the vote to leave the European Union.

The inquiry aims to inform the Government, the House and the wider public about the most important priorities in these policy areas, in advance of the commencement of Brexit negotiations. The Committee will be taking oral evidence in October and November from academics, NGOs business representatives and Government, and plans to publish a report in early 2017.

### People and migration

Forecasts show that there will be 200,000 vacancies in the greater Lincolnshire LEP area between 2012 and 2022. Whilst a substantial proportion of these will be due to retirement and will be replaced by young people and people moving from other parts of the UK to Lincolnshire, there is still a significant gap in vacancies to be filled.

The analysis that is provided as an appendix to this report shows the high levels of EU and non-EU residents who live and work in Lincolnshire. Employers stated regularly in the run-up to the EU referendum that their business would be constrained by a lack of available labour, and employer groups continue to make this point to government.

The issue of migrant workers can be broken down into volume requirements (ie those sectors which require substantial volumes of staff such as agriculture, food production, and tourism) or those with technical requirements (such as manufacturing and academia). In terms of technical requirements, some Lincolnshire businesses have contacted LCC saying that they struggle to attract technical staff from across the globe to meet their business objectives because of visa regulations. LCC have previously written to ministers asking them to tackle the problems that arise from these visa regulations, and the UK's exit from the EU provides an opportunity for migration policy to be considered again by government.

In summary, a large number of EU policies have an impact on Lincolnshire. The government will be designing domestic policies to address the various subject areas, but it will do so in a way which more directly meets conditions in the UK.

#### Recommendation

It is recommended that members

1. Discuss the content of this report and identify those issues that they would wish to explore further at future meetings of the working group

**Senior manager survey into the impact of the UK's withdrawal from the EU**

At the first meeting of the working group, members suggested that it would be useful to conduct a cross council survey into the anticipated impact of the UK's withdrawal from the EU.

A survey has now been conducted, receiving over 30 responses from all directorates in the council. The detailed data from the survey will be tabled at the working group meeting. Whilst 30+ responses still represents a small sample base, the fact that responses were received from across all directorates means that the information is useful in supporting the working group.

A summary of the survey shows that:

- Two thirds of managers have not analysed the impact of the UK's withdrawal from the EU on their service
- Most senior managers feel that they do not have enough information to analyse the impact effectively

Where analysis had taken place, senior managers did not think that the impact would be significant. This may indeed be the case, or it may be related to a lack of information.

Where senior managers identified an impact, it primarily concerned:

- Potential legislative changes, regarding employment and especially procurement
- Migrant workforce in third party service delivery organisations
- EU funding

The working group will be able to spend some time looking at free text comments in the document that is tabled at the meeting. It underlines the fact that only a low level of information is currently available to senior managers.

It is suggested that contact is made with the Local Government Association to determine what plans they have in place for providing more detailed information to councils about proposed new legislation.

**Open Report on behalf of Richard Wills, Executive Director of Environment and Economy**

Report to:	<b>Overview and Scrutiny Management Board</b>
Date:	<b>27 July 2017</b>
Subject:	<b>Working Group into the UK's Exit from the European Union</b>

**Summary:**

Lincolnshire County Council previously established a Working Group to consider the impact of the UK's exit from the European Union on the County Council and on Lincolnshire more generally. This report provides an update on the progress that the Working Group made and it recommends that the Working Group is re-established with a cross-council remit.

**Actions Required:**

The Overview and Scrutiny Management Board is asked to:

1. Re-establish the Working Group on the UK's exit from the European Union with a new membership consisting of one member from each Scrutiny Committee;
2. Authorise the Working Group on the UK's exit from the European Union to meet more than three times during the Brexit negotiation period;
3. Request that the Working Group on the UK's exit from the European Union reports back to the Overview and Scrutiny Management Board after each meeting.

**1. Background**

In late 2016 the Council created a Working Group on the impact of the UK's exit from the European Union (EU).

Although the Working Group only met twice, it conducted a significant amount of work. The Working Group monitored the announcements about Brexit coming from Whitehall and considered how they might impact on Lincolnshire; surveyed senior managers about the potential implications of Brexit on their service; gave evidence to a parliamentary committee on Brexit; and analysed recent migration patterns in Lincolnshire.

### Government committee on Brexit's visit to Lincolnshire

The parliamentary committee on the UK's exit from the EU visited Boston on Thursday 2<sup>nd</sup> February 2017, and Lincolnshire County Council (LCC) was invited to join other organisations (Boston Borough Council, Greater Lincolnshire Local Enterprise Partnership (GLLEP), NHS, Police, etc) for a short meeting with the committee and their researchers.

Cllr Mrs M J Overton MBE attended that meeting, accompanied by Justin Brown, Commissioner for Economic Growth. Cllr Mrs Overton made points to the committee about the fast rise in the migrant population of Lincolnshire, cost of translation services, and potential pressure on adult social care and school services. She also suggested that better community cohesion programmes, mechanisation and new employment support policies could effectively address some of the risks that migration policies could bring to those employers who rely on migrant labour.

### Interim recommendations of the Working Group

Shortly before the County Council elections – and subsequent general election - the Working Group made the following recommendations to Group Leaders:

1. Between 12% and 14% of businesses in Lincolnshire trade internationally. Any new international trade deals will take a long time to agree. ***It is recommended that LCC writes to Department for International Trade urging them to work quickly to agree the fine detail of trade agreements.*** Whilst this is unlikely to make a difference to the pace at which Department for International Trade (DIT) are working, it will show businesses in Lincolnshire that the County Council is business focused.

Officers continue to discuss priorities with the Department for International Trade and whilst DIT's motivation is nationally focused, they recognise the importance of helping local partners to achieve their own objectives for international trade. For example, in Lincolnshire, DIT has committed an extra £1m over a three year period to increase the number of exporters and the Foreign and Commonwealth Office has allocated Lincolnshire County Council to help to promote trade opportunities with China.

2. The Working Group's analysis has shown that businesses and local government are encouraged by the possibility that restrictive legislation will be reduced once the UK exits the EU. Procurement, personnel, and legislation concerning data have particularly been identified. Both subjects are extremely complex, and ***it is recommended that we seek more detailed advice on procurement, personnel and legislative considerations.***

As the Repeal Bill was only recently tabled in parliament there has been little concrete information on how, and whether, the legislation will change. Officers continue to monitor this issue.

3. The Working Group's survey of senior managers showed that the level of information to help us to assess the detailed impact of Brexit on local authority services is limited. A few other local authorities are starting to explore the impact of Brexit in the way that we have, but we expect that the Local Government Association has started to do some work in this regard. ***It is recommended that we approach the Local Government Association and explore ways that their work on assessing the impact of Brexit on local government could help us to understand the local impact.***

A telephone conference has been held with the Local Government Association's representatives in Brussels. They are currently occupied with making local government's voice heard in the Brexit negotiations rather than interpreting the outcome of them but they recognise the need to do both.

4. Negotiations over Brexit and the implementation of post EU policy need to be considered during the 2-year period of negotiation following the triggering of Article 50 and potentially beyond. The Working Group had two recommendations in this regard. Firstly, ***it is recommended that each committee's work programme for 2017/2018 and beyond includes consideration of the impact of Brexit on that committee's work area.*** And secondly ***it is recommended that the Working Group on the UK's exit from the European Union continues to meet three times per year throughout the period of negotiation following the triggering of Article 50.*** This will enable Group Leaders to receive advice from a "whole council" perspective.

#### Looking ahead

Brexit will dominate the parliamentary agenda for the next two years and beyond. It will have a significant impact on the way that the country, local authorities, and businesses operate. From an LCC perspective, Brexit should be considered at four levels:

1. **National policy and negotiations** – it is highly unlikely that LCC will be able to influence the major negotiating positions of the UK government and the European Union. However, we do need to understand what is being proposed and what impact it will have on the services that LCC commissions and on the wider Lincolnshire economy. Without that understanding there is little chance of us being able to respond and adapt effectively. There is one area where LCC might have a role in influencing (future agricultural policies) where LCC may be able to help the farming and food production community to make representations via the Greater Lincolnshire Forum for Agriculture and Horticulture.

A recent report by City, Cardiff, and Sussex universities has suggested that there will be a significant negative impact on national food security, and on areas that produce food (e.g. Lincolnshire which produces roughly a quarter of the nation's food supply) if the agricultural and food policies which follow Brexit are not successful. Similar reports have identified other sectors, like paper

manufacturing and the service sector, which will be impacted. It is important that LCC understands the importance of reports like these, testing their findings with industry, and helping industry and local communities to respond accordingly.

2. **Turning policy into operation** – once the policy positions have been agreed between UK government and the European Commission then the operational detail of these policies will be developed. UK government is already discussing the operational detail of, for example, the National Productivity Investment Fund which is proposed as a replacement for EU regeneration funding. It is important that LCC makes strong representations on how the operational detail of agreed government policies can be developed in a way which is beneficial to our county.
3. **Responding proactively to new policies and legislation** – the survey that the Working Group conducted with senior managers identified that issues such as workforce recruitment, procurement rules, and data protection (this is not an exhaustive list) are all likely to be affected by the UK's exit from the European Union. Issues like these will affect the way that all of the Council's services are commissioned and delivered. If LCC is simply reactive to new rules and circumstances then it is likely that the benefits of any action we might take will be slow to come to fruition. It is important that we analyse issues as they start to emerge, gaining an understanding of how they will affect our services, and identifying how we might need to respond.
4. **Understanding the impact of Brexit on Lincolnshire** – the impact of Brexit will not only be on those services that LCC delivers. It will also be on communities, businesses, and other services. Migration changes are one example of the possible impact, but others are possible too. These might include trade patterns or changes to environmental legislation.

Assuming that the impact of Brexit should be considered at these four levels, then the natural conclusion is that LCC needs to consider the impact of Brexit regularly, and on a cross council basis.

Re-instating the Working Group on the UK's exit from the European Union will enable the Council to consider these issues. However, in order to achieve the requirement of taking a cross-council view it would be preferable to move from populating the Working Group on a semi-voluntary basis and instead to ask each of the Council's scrutiny committees to nominate a representative. Ideally the Working Group will be comprised of councillors with useful sector/issue knowledge and from across the whole of the county. It may be useful to identify substitutes so that there is a continuity of knowledge across the Working Group. In order to achieve the requirement of considering the impact on a regular basis it would be useful for the Working Group to meet at least three times per year and to feed its findings back to the Overview and Scrutiny Management Board.

## **2. Conclusion**

The UK's exit from the European Union will have a substantial impact. By reinstating the Working Group on the UK's exit from the European Union LCC will be taking action to monitor these impacts and to recommend appropriate responses.

## **3. Consultation**

### **a) Have Risks and Impact Analysis been carried out?**

No

### **b) Risks and Impact Analysis**

N/A

## **4. Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Justin Brown, who can be contacted on 01522 550630 or [justin.brown@lincolnshire.gov.uk](mailto:justin.brown@lincolnshire.gov.uk).

# Meeting Minutes

Name of meeting:		
Heading	Note	
Name of meeting	Brexit Working Group	
Location	Lancaster House Boardroom	
Date	30 November 2017	
Time/Duration	14:00-16:00	
Chairperson	Cllr Mr Tony Bridges	
Minutes taken by	Hayley Fowler	
Attendees		
Name	Title	
Councillor Mrs A M Austin		
Councillor Mr T Bridges		
Councillor Mr M Brookes		
Councillor Mr M T Fido		
Councillor Mrs M J Overton MBE		
Councillor Mr R L Foulkes		
Councillor Mr R B Parker		
James Baty		
Justin Brown		
Apologies		
Name	Organisation	
Mr Stephen Rudman		
Councillor Mr A M Stokes		
Councillor Mrs C A Talbot		
Councillor Mr C E H Marfleet		
Agenda Items		
Item No	Item	Action
1	<p><b>Election of the Chairman</b></p> <p>Cllr Bridges was the Chairman of the Brexit Working Group before the council election.</p> <p>It was proposed that Cllr Bridges remains the Chairman by Councillor Mrs Overton and seconded by Councillor Parker. Agreed unanimously.</p>	
2	<p><b>Terms of Reference (Paper A)</b></p> <p>JB presented the group with the updated terms of reference which were the same as in the previous working group before the elections except for two amendments.</p> <p>'The purpose of the working group is to identify issues arising from the</p>	

Name of meeting:		
Heading	Note	
	<p>UK's exit from the European Union that are most relevant to Lincolnshire. The working group will then explore actions that Lincolnshire County Council could commission in order to reduce any disadvantages- and make the most of any opportunities- that arise from those issues.'</p> <p>The specific terms of reference are listed below:</p> <ol style="list-style-type: none"> <li>1. To identify the issues that are most important to Lincolnshire that will arise from the UK's exit from the European Union.</li> <li>2. To discuss how those issues might affect Lincolnshire either positively or negatively.</li> <li>3. To explore actions that Lincolnshire County Council could commission to address those issues.</li> </ol> <p>These were then discussed by Members.</p> <p>Cllr Parker suggested that it would be useful to include an item within the Terms of Reference about communication with the wider public . Cllr Fido agreed that this would be the best course of action as the working group are working towards the best outcome for the people of Lincolnshire; he suggested perhaps using County News or the LCC website as forms of communication.</p> <p>Cllr Foulkes said that it was important that we all understand which committee the Working Group would report to. JB was to confirm with Democratic services that the working group report to Executive Committee.</p> <p>Item 3 in the terms of reference will now read as follows:</p> <p>To explore actions that Lincolnshire County Council could commission to address those issues. These actions may include, but will not be limited to, preparing new LCC strategies, developing policy responses, advising stakeholders as part of our service delivery, and communicating outcomes to the wider public.</p> <p>All agreed.</p> <p>Cllr Mrs Overton noticed that there was no one representing pensions or planning. Cllr Mrs Overton was happy to represent both Investment pensions and planning and regulations. This was agreed and will be added to the working group members; table.</p>	<p>JB</p> <p>Democratic Services</p>
3	Latest reports on the possible impact of Brexit (Papers B and C)	

Name of meeting:	
Heading	Note
	<p>James Baty was invited to explain the two Papers, Paper B: the executive summary from the Chief Economic Development Officers Society (CEDOS) and an extract from Localis's assessment of risk exposure.</p> <p>Cllr Mrs Overton explained that she sits on the National LGA Brexit Group and they have encountered a few difficulties in arguing the case for local government. They are pushing hard for the correct funds and powers to be devolved to local government after the UK's withdrawal from the European Union. They have now got a better relationship with DExEU (Department for Exiting the European Union) .Cllr Overton has pointed out to people that there will be barriers going forward as funding may be unlikely to arrive and this would have a big impact locally.</p> <p>JBr suggested that when the working group have decided on topics to pursue perhaps Cllr Overton could take them to the LGA . Cllr Overton also invited the group to the National Debate that the LGA are hosting on the 5<sup>th</sup> of December at 5.30 at 18 Smith Square London</p> <p>JBa began with the Localis paper and explained that this is a report mainly looking at the labour market at a LEP level and the key areas that may be effected by Brexit combined with a map of the areas in England that are at the highest risk.</p> <p>The Key areas are:</p> <ul style="list-style-type: none"> <li>-Automation- Lincolnshire is in the top 20% at risk for this area.</li> <li>-Migration- Lincolnshire has one of the highest proportions of migrant workforce in the UK.</li> <li>-Skills-the Current skills base in relation to NVQ3+ in Lincolnshire is below average.</li> <li>-Demographics- There has already been identified in previous reports that Lincolnshire will have a large gap in the workforce over the next 4 years without taking into account Brexit.</li> </ul> <p>Overall Greater Lincolnshire comes out at being higher risk than any other LEP area in the UK.</p> <p>Cllr Bridges noted that our main focus should be driving the local economic growth.</p> <p>Cllr Parker explained that one risk could be making sure the money devolved comes back to us and doesn't get distributed to the usual areas in the south Cllr Fido agreed.</p>

Name of meeting:	
Heading	Note
	Another risk was identified by Cllr Austin, which was agriculture this would be massively affected by Brexit.
4	<p><b>Work Streams for the working group to pursue (Paper D)</b></p> <p>Cllr Parker suggested that the primary focus for the working group should be on seeking to attract a fair share of the funding that the UK government will no longer be paying to the EU.</p> <p>Cllr Bridges asked each member of the working group to identify the priorities that they felt their scrutiny committee would want to see pursued. Cllr Brookes said that it was important that the working group should "Fly the flag for Lincolnshire" –ie pursue the funding that will no longer be paid to Brussels.</p> <p>It was agreed by all that this should be the priority for the working group.</p> <p>The working group agreed that other areas of focus for the working group within 18 months should be:</p> <ul style="list-style-type: none"> <li>-domestic agricultural policy which replaces Common Agricultural Policy</li> <li>-New funding programmes to replace EU grants.</li> <li>-Migration and its impact on the labour market.</li> <li>-New public sectors regulations (including Procurement)</li> </ul> <p>Cllr Austin commented that we also need to consider skills, as people study in Lincoln and go elsewhere.</p>
5	<p><b><u>Frequency of Meetings in 2018</u></b></p> <p>It was suggested 2 meetings should be held before Easter and a further two later in the year.</p> <p>Members asked JB to try and find national civil servants to address a future meeting of the working group.</p> <p>Next meeting date is to be confirmed.</p>

JB

# Lincolnshire County Council working group on the UK's exit from the European Union

## Paper A

21 February 2018

Room 35, County Offices

### Terms of reference

The purpose of the working group is to identify issues arising from the UK's exit from the European Union that are most relevant to Lincolnshire and to advise the Executive of Lincolnshire County Council accordingly.

The working group will then explore actions that Lincolnshire County Council could commission in order to reduce any disadvantages- and make the most of any opportunities- that arise from those issues.

The specific terms of reference are listed below:

1. To identify the issues that are most important to Lincolnshire that will arise from the UK's exit from the European Union.
2. To discuss how those issues might affect Lincolnshire either positively or negatively.
3. To explore actions that Lincolnshire County Council could commission to address those issues. These actions may include, but will not be limited to, preparing new LCC strategies, developing policy responses, advising stakeholders as part of our service delivery, and communicating outcomes to the wider public.

Membership of the working group should include those who sat on the original working group, formed in 2016, in addition to representatives from each of the Council's scrutiny committees. It is also intended that the working group should be politically inclusive.

The current membership is Councillors T Bridges (chairman), A M Austin, M Brookes, M T Fido, R L Foulkes, C E H Marfleet, M J Overton OBE and R B Parker.

Brexit Working Group

21 February 2018

Room 35, County Offices

Paper B

Research being undertaken into implications of Brexit on Lincolnshire

Both the Greater Lincolnshire Local Enterprise Partnership and the Lincolnshire Local Authority Leaders' Forum are commissioning research into the impact of Brexit on Lincolnshire.

Officers are working closely to ensure that the research is complimentary.

The broad purpose of the LEP research is to explore how to raise productivity in greater Lincolnshire –with Brexit being an important context for that ambition. All LEPs in the country have been asked to produce a local industrial strategy by autumn 2018, and their research into the implications of Brexit will inform the local industrial strategy. LCC's Environment and Economy scrutiny committee will assist the LEP in developing the industrial strategy.

The broad purpose of the research being undertaken by the Lincolnshire Local Authorities Leaders' Forum is focused on the impact of Brexit on all local authority services –especially services to migrants or services that are dependent upon migrants.

Whilst neither piece of research is specifically being undertaken by LCC, LCC is a partner in both and the research has been commissioned by our staff on behalf of those partnerships. We will seek to share the emerging findings of the research with the Brexit working group to inform your work.

Members should also be aware that the Local Government Association has exchanged information with the Ministry of Homes, Communities, and Local Government over progress with Brexit. A letter from the Minister of State, Sajid Javed, is attached which demonstrates the role that local government is seeking to play in the Brexit negotiations and the government's response to the local government position.

#### Recommendation

It is recommended that members note that two complimentary pieces of research are being undertaken into the implications of Brexit on Lincolnshire

It is also recommended that members note that the government is willing to work closely with local government on implementing Brexit

Brexit working group

21 February 2018

Room 35, County Offices

Paper C

Fair Funding –implications of Brexit

Members will be aware of the "Fair Funding for Lincolnshire" campaign.

At the previous meeting of the Brexit working group it was agreed that the working group should explore ways of "getting our fair share" from the £350m per week that the Leave campaign stated would be returned to the UK.

It is important that any work done on this issue compliments, and certainly does not diverge from, the Fair Funding campaign.

The government is now consulting on new ways of distributing finance to local authorities. The consultation covers a range of matters that LCC and other local authorities in Lincolnshire will respond to within the context of the Fair Funding campaign.

However, there are some factors (described by government as "Common Cost Factors") which Brexit may have an impact upon in Lincolnshire.

Officers have done a simple analysis of these factors which will be presented to the Brexit working group's meeting today; an initial paper is attached as an appendix to this report.

Once the working group has considered these factors it would be useful to make a recommendation to the Executive of the county council that they should be included in LCC's response to the government's consultation on local government finance.

#### Recommendations

It is recommended that members

Debate the potential impact of Brexit on the "Common Cost Factors" in the government's model for distributing local government finance

Consider whether further work should be done on understanding the impact of Brexit on these factors before advising the Executive of the county council about them

Brexit working group

21 February 2018

Room 35, County Offices

Paper D

### Impact of Brexit on scrutiny committees' work

One of the primary objectives of the Brexit working group is to consider the possible impact of Brexit on the council's services. The working group may wish to consider when it would be best for individual scrutiny committees to explore the detailed impact of Brexit on their services.

Around a year ago the Brexit working group consulted with Heads of Service across LCC over the potential impact of Brexit on their services. The common concerns related to the impact on the staff of sub-contracted organisations, whether procurement rules would change, how the cost of purchasing products would be affected by exchange rate changes, and availability of EU grants.

Ultimately, though, Heads of Service felt that not enough information was available to make a robust assessment about the impact of Brexit on their services. There is still a lack of certainty over the impact of Brexit

The Brexit working group has been structured so that there is a representative from each of the council's scrutiny committees on the working group.

Scrutiny committees have busy work programmes, but members recognise the importance of Brexit on their services.

The challenge will be how to balance the need to consider Brexit with the continued uncertainty about the impact of Brexit and the already busy work programmes of scrutiny committees.

#### Recommendation

It is recommended that members consider how and when to review the potential impact of Brexit within the scrutiny committees that they represent on the working group.

# DISCUSSION PAPER: BREXIT AND FAIR FUNDING

## INTRODUCTION

The result of the referendum into the UK's membership in the EU was now over 18 months ago. The well-publicised negotiations are still at a very high level and are trying to establish the core terms. In October 2017, the Department for Communities and Local Government set up a Brexit and Local Government Enquiry. The path is not clear for local authorities across the country.

Allied to this, is the call for fairer funding, particularly from more rural County authorities. Clearly this is something that is high on the agenda for Lincolnshire County Council as it currently sits bottom of all authorities in terms of core funding pro rate to number of households. There is a question to be posed as to what impact Brexit will have on our local authority, and how this might impact the need for funding.

There are many unknowns and at present only some scenarios can be addressed with any degree of confidence. Lincolnshire County Council, like most local authorities, is likely to commission in depth research into the implications of Brexit on the core function of the authority, its ability to generate revenue and its spend on services.

There has already been some work undertaken to understand what the possible impacts will be within the authority. Enterprise Commissioning surveyed senior managers across all service areas of the authority to gauge initial reaction and potential impact on their services. There has also been research carried out for the LGA and CIFPA whilst the London School of Economics and PwC have produced their own assessments of the public sector.

This paper will discuss some of the possible impacts Brexit will have on our authority, couched in terms of fairer funding, statutory duty and future need.

## 2. FAIR FUNDING

The fair funding consultation focussed on a set of common cost drivers, which subsequently have varying impacts on the costs to deliver services. For example population composition and rurality will both be major factors in the cost to deliver Adult Social Care services. The common cost drivers are:

- a. Population
  - i. Population size
  - ii. Demography
  - iii. Projected Population
- b. Rurality
- c. Deprivation
- d. Area cost adjustments
  - i. Local Cost of Labour
  - ii. Local Business Rates
- e. Small but locally significant duties

These common cost drivers cross-cut service specific costs.

## IMPLICATIONS OF BREXIT

The full implications of Brexit will not be known until the terms of the 'divorce' are established. A survey of public sector bodies by Grant Thornton in 2017 found that 35 per cent of respondents wanted to 'Get the Best Possible Deal', with around one quarter wanting 'Britain to Remain in the EU'.

## MACRO IMPACTS

When considering the risk associated by Brexit in the context of the population, there are two important elements to consider; the services LCC deliver to migrants, and the LCC services which are reliant on migrant labour.

Certain services, particularly in the Social Care, Public Health and Children's Services are known to be reliant (in terms of the services they purchase) on labour provided by non-UK residents. Further to this, some of Lincolnshire's most important business sectors are also reliant on migrant labour, such as agriculture and food production, visitor economy as well as the private sector health and care businesses which LCC contracts.

A survey conducted in late 2016 of Senior Managers across Lincolnshire County Council (more below) found that whilst direct impact on LCC staffing would only be marginally affected by Brexit, many contractors were reliant on EU nationals, from the aforementioned social and health services, right through to road design.

In the context of Fair Funding, the ability to deliver value services to a growing and ageing population is already one of the largest challenges local authorities face. The risk is the likelihood that Brexit will exacerbate the challenges that the authority already faces.

The most tangible impact at present is the impact of reduction of migrants to the UK's **population** as in Example 1. In terms of fair funding impacts this links to both to the requirement for services and the ability to deliver services.

Whilst **rurality** is clearly one of Lincolnshire's larger challenges in respect to delivering services, how Brexit may affect the county in this respect is relatively intangible. There could be impacts on delivery of transport services depending on make-up of employees in this sector. However this is likely to be a negligible impact in terms of funding need.

Levels of **deprivation** in Lincolnshire cannot be associated with levels of EU nationals, however there is a correlation between proportion of non-UK born residents and higher levels of deprivation. This is, in part, due to cheaper housing, or HMO occupancy within urban centres where those who are engaged in the lower value end of the labour market can afford to live. This is particularly evident in parts of Boston, Grantham, Spalding, Lincoln and Gainsborough. Lincolnshire has many areas which are classified as being in the 10% most deprived. How this might affect service delivery in these areas is open to debate.

Local area costs, particularly those of **labour** and **business rates** could both be impacted by Brexit. It is possible that due to a lower supply of lower cost labour, contract prices for delivery of things such as Adult Care could feasibly increase. In respect to business rates, much of the activity undertaken to attract and support businesses to the area is funded by the EU. Lincolnshire is a 'transition' area in that it receives more money pro rate than average through EU funds (£133m in current ESIF/ERDF program, plus around £100m/year in Common Agricultural Policy). In turn, the lack of ability to support business growth, retain businesses or attract foreign investment will have a negative impact on businesses rates (currently around £200m for Lincolnshire), particularly in light of local government using 100% business rate retention as primary source of finance.

#### Example 1: Population Impact by numbers

- In 2011 at the time of the most recent Census of population, the population in Greater Lincolnshire stood at 1.04 million people
- Around 6.6% of the population were not born in the UK, with the majority (69,000) being EU born.
- Approximately 82 per cent of EU born migrants living in Lincolnshire are working age (16-64), compared to 61 per cent of the UK born population.
- The over 75 population projected to increase by 95% in the next 25 years, and the working age population (16-64) stagnant (or indeed falling if we factor in potential losses through Brexit)
- Births to non-UK born mothers is estimated to be between 5 per cent (East Lindsey) and 48 per cent

#### Scenario

- The number of EU migrants in Lincolnshire drops by a third
- This would equate to a drop in population of approximately 23,000. If we apportion the demographics proportionately, then we can estimate that around 19,000 of these would be working age and in employment (compared to 56 per cent of all UK born residents).
- The decrease in working age population in this scenario would equate to a drop of 5 per cent of the working age (working) population. Clearly, areas in the county with the highest proportion of EU migrants would be most affected by this – particularly Boston and Lincoln districts. Nonetheless it will have wider impacts across the County.

#### How could LCC services be affected?

- A reduction in population (particularly working age population with low reliance on the state) will mean a drop in council tax revenue.
- There is a potential risk to Adult Social Care services in terms of the workforce availability and cost thereof. Given that the over 75 population is projected to almost double in Lincolnshire in the next 25 years, there is clearly going to be an additional strain on ASC services.  
A number of schools in Lincolnshire now have a high proportion of second generation migrant children in attendance. What will happen to schools in such areas if the population decreases?
- Public Health – Recruitment and retention of staff in some parts of the health and care sector could become more difficult.
- (Boston) indicating a high proportion of second generation migrants in some areas of the county.

## THE MANAGERS SURVEY – LCC

The survey of senior managers at Lincolnshire County Council was conducted in late 2016/early 2017 and was intended to indicate where managers felt pressures were most likely to come from in respect to Brexit. The findings, in summary, are below:

### Adult Social Care:

- At the time of the survey, respondents felt there was not enough information feeding through to make informed assessments or decisions
- It was considered there is a small risk of impact on both the customer base and the ability to source staff.
- In particular, there was some concern over being able to access qualified social workers, particularly via third party contractors who have a high number of non-UK born staff.
- EU Legislation was also of concern as the Carers Commissioning Strategy is built on EU legislation (Equality Act, Human Rights) as are the UK policies.

### Children's Services:

- The operation of Children's services is likely to remain unchanged in the face of Brexit
- There are low levels of EU nationals employed within the service.
- There was some concern around the ability of the voluntary/community sector being able to draw EU funding in to help families and children in need. These schemes reduce the current burden on the LA.
- There is some Education legislation which is rooted to the EU.

### Environment and Economy

- Highways (design, construction), environment, planning and waste are all entrenched in complex regulations which are based on EU legislation and policies.
- There are a small number of EU nationals working in the service area, however many of the contracted services, and particularly the high level design services are undertaken by EU nationals.
- Significant levels of EU funding have been allocated to Lincolnshire which support the Commissioning Strategy to the point that elements of the commissioning strategy would be difficult to deliver without some form of this funding.
- Funding which helps support business growth is critical to help Lincolnshire boost Business Rate income – per the Government's aim of Local Authorities being funded through 100% business rate retention.

### Finance and Public Protection

- The impact of Brexit on stock markets and bond yields can impact the valuation of the LCC pension fund.
- Some (few) posts are funded by EU funding and there are a low number of EU nationals directly employed in the area.
- EU legislation is critical for Markets in Financial Instruments Directive, however direct service providers are more likely to be impacted.

### Fire and Rescue

- Impact on Working Time Regulations could have a significant impact on retained fire fighters particularly.

21 February 2018 Room 35, County Offices

- Funding, whilst national, does have a benefit to LFR such as diversity funding, research etc.
- There is likely to be a small impact on the service in terms of staff who are EU nationals.

#### Information and Management Technology

- The General Data Protection Regulation (GDPR) which is coming in in May 2018 is an EU directive and the UK government have already confirmed it will be adopted and replace the UK Data Protection Act 1998.

#### People Management

- Employment Law likely to be the largest area of impact, HR policies and case management will affect Council and Schools.
- Not a significant reliance on EU nationals, with around 80 EU nationals employed directly by LCC. HR Services are outsourced and there is a reliance on EU Procurement rules.

## Impact of Brexit on goods and services we buy

An email was sent to all those listed on the Council's contract register.

*"You are listed on the Contracts register as a contract manager for one or more of the Council's contracts*

*Given the uncertainty around Brexit and the deal that might be agreed (or not) I am trying to determine what work has been done to assess the potential impact in terms of direct council procurement and supply chains from Europe for essential goods*

*For example potential delays, restrictions on supplies or potential increase in pricing.*

*This not only includes our first tier suppliers but also their supply chains.*

*I would be grateful if you could let me know of what consideration you have given to any contingency plans to minimise the impact on goods (and services if applicable), the likely risks and mitigating action e.g. ordering additional items/components.*

*I would also be interested to know if you have taken any action already."*

**The responses from those that chose to respond are ...**

### Highways

*Most of our main suppliers are in foreign ownership but not all European. Brexit is identified on all of the relevant risk registers and where possible mitigation actions are identified. Obviously this is difficult to plan for until the detail of Brexit is known. In reality all of these companies will want to continue working for us and my understanding is that the existing contract terms will not be impacted. We will obviously consider and necessary contract changes for works let after Brexit with legal colleagues.*

*Most major construction materials are available from UK suppliers but we currently buy the most economically advantageous. We haven't bought much into stock other than salt and steel for the LEB structures. Advanced purchase of salt is a long standing practice for both price and resilience issues. The steel was bought early due to rising prices and the ability to give us programme certainty. There are currently no industry wide concerns about construction material supplies although the full Brexit terms and therefore impact are still not known.*

*People are one of the areas of concern for us although there are soothing words about an individual right to continue working. We rely on a number of foreign nationals, mainly through our supply chain. These include a number of Spanish engineers and archaeologists. If these are forced to return home then there will be an industry wide skills shortage and the government will struggle to deliver on its infrastructure plans. Whilst we do not employ many foreign lorry drivers the logistics industry locally is reliant on foreign HGV drivers. If some of these leave then the market for existing drivers will drift up and we will be exposed with some of our service delivery such as winter maintenance. We are working with Kier to monitor this particular issue and will agree measures to mitigate any risks that develop.*

### IT Contracts and Licensing

*In IMT our supply chain is affected by the pound/dollar exchange rate so some software purchases in the 1st 6 months after the referendum were considerably more expensive. This applied to the few instances where we purchase directly from US suppliers. Many of our contracts have RPI/CPI limits built in so annual renewals are predictable until we have to re-procure. Most of the goods we purchase do not come from Europe so the future trading relationship with the USA is of some concern. Generally goods are purchased by Serco on LCC's behalf so I have forwarded the question to them to review their supply chain.*

### Procurement - Infrastructure

*There is unlikely to be any direct impact of Brexit in terms of supply to the Infrastructure Team. Our contracts are largely for computer based systems and we have limited supply contracts. There might be some changes required to the procurement system depending on the terms of any trade deal and we shall wait to see how this impacts on us, and what if any additional costs this brings.*

## Business Support

*Here are the contracts which Business Support Manager – and our thoughts/ actions*

**Blue Badge** – don't think Brexit will have any impact as UK based and no overseas suppliers

**Franking Machines** – don't consider any impact

**Apprenticeship EPA** – unlikely to have an impact as UK based

**Fuel Cards** – I guess impact may be that oil and therefore fuel prices continue to escalate, although this is not specific to a Europe trade deal, RAC warn the fuel prices will increase, but the impact will be on budgets rather than through the contract. We are currently working through a Procurement process for a new contractor, but don't see Brexit having any impact on the contractual arrangements.

**DA Languages (Interpretation and Translation services)**– since the contract appointment, and Brexit announcement we have seen a drop contract usage. Immigration within Lincolnshire has changed and will continue to do so. The service is still required, and will continue to be. At our next contract meeting, I'll ask how they think Brexit will affect them. I'll let you know.

**MFD contract.** Maybe costs of goods/devices will go up if imported (I think they are) from elsewhere but we are on a corporate contract which has only just started so I am not sure if we have a fixed or variable price for these items?

## Celebratory Services (Registrars)

*We don't anticipate any impact on our first tier contracts, but I will find out if there are any anticipated concerns with their supply chains. Have asked the question of our 1st tier suppliers, and they are not aware of any possible problems with supply chains but will keep an eye on this*

*We are awaiting some formal decision making from government and then resulting information from UK Visas and Immigration regarding Settlement Status for Europeans which may impact on marriage. The General Register Office are watching this and at the moment, we don't quite know what way it will go. We had a meeting only last week at the Home Office, and no decisions have been made.*

*No particular increase in marriage, but we have seen a flurry of applications for our European Passport Return Service, where we check documents for Europeans making an application for the right to live in the UK <https://www.gov.uk/government/collections/european-passport-return-service>*

## Pensions

*No impact in any of my contracts – they're all financial services.*

## People Management

*Our view is that there should be no impact on the Occupational Health or Benefits contracts*

## Financial Inclusion (Community Engagement)

*I assume that I am listed on the contracts register as the contact for LCCs grant funding agreement with Citizens Advice Lincolnshire? This is a grant rather than a contract. I haven't done anything to assess the potential impact of Brexit on the services provided by Citizens Advice (information, advice and support services) which LCC only partly fund.*

## Public Health (Intelligence)

*None on my part but then I only hold very few contracts and they are with UK suppliers.*

## Access Lincoln

*It is unlikely that Brexit will have any noticeable effect on the delivery of the three contracts I supervise, although I have one thing to consider for one contract that your email has prompted me to think about. I'll run through each in turn for you.*

**Hirebike** - (This is the bike rental scheme for Lincoln – the orange bikes you may have seen dotted around the place)

*Our Hirebike network is in place although IT support is sourced from the Czech Republic. I will follow this up with the supplier to see what consideration is being given to continuity after March 2019. We're already in the first of two possible one year extensions to the contract so we will have to retender in 2020 anyway.*

*Everything is already established from a physical asset perspective. We already have all the bikes and stations and don't need to import anything else.*

**Bikeability** - This is purely a person-to-person contract where members of staff deliver training to children in schools. I can't see how any Brexit deal could affect the delivery of this contract as nothing needs to be imported from Europe (or anywhere else).

**Access Lincoln – Community Engagement** - This is similar to Bikeability in that it's a person-to-person contract. Nothing needs to be sourced to make the contract work, rather the employees of Lincoln BIG go out and engage with the community through travel planning, led walks, community events, etc. etc. to attempt to change their travel choices.

The only uncertainty (although this is a very small risk) is that the DfT abruptly stops the funding committed to us for our projects due to some kind of national financial emergency. If this happens I think we'll all have bigger fish to fry.....

- **Not clear** whether the White Paper will be approved by parliament or will be agreed with the EU.
- Suggestion that the **soft Brexit proposed in the paper could see a period of lower growth** than is currently the case and that **"No deal" and a move to a WTO-based tariff system would see a greater reduction in growth.**
- Commentators are making **informed suggestions about the impact of Brexit.** However, simply, **no-one knows what the impact will be.**
- However **lower growth means lower public finances.**

**LCC's Brexit working group (BWG)** has pursued five issues regarding Brexit: competition policy/procurement, legislation, migration, funding, and impact on the wider Lincolnshire economy. **BWG have already given evidence** to the parliamentary committee on Brexit, the LGA consultation, the DEFRA consultation on post Common Agricultural Policy (CAP) agricultural policy, and met with senior DExEU officials.

***Competition policy/procurement:***

- proposals for a new economic partnership require the continuation of a level playing field between European markets and the UK.
- Therefore minimal change to state aid, competition policy, and procurement.
- LCC managers have stated that state aid and procurement considerations constrict their ability to deliver/adapt services quickly, so although there is unlikely to be a change to the rules there will be benefit in LCC encouraging government officials to implement the rules less rigorously.

***Legislation:***

- economic partnership and common rulebook **suggest minimal change to legislation.**
- **risk of time consuming changes** to for example environmental and waste legislation that affects LCC appears to have receded.

***Migration:***

- **Lincolnshire's major sectors rely on migrant labour**, including the health and care sector which provides services to the most vulnerable people in Lincolnshire.
- Migrant labour in the food production sector is **not temporary workers picking soft fruit**; Lincolnshire businesses have a **year round requirement for labour, often filled by migrant workers.**
- Migrant workers in Lincolnshire **sustain communities but can put pressure on services**
- White paper discusses the Immigration Bill and the work of the Migration Advisory Commission but **little detail about the content of the Immigration Bill.**
- It would be **useful to submit evidence to the authors of the immigration Bill.**

***Funding:***

- HMG proposes a **UK Shared Prosperity Fund to replace EU funding and combine it with other grant programmes** like LEP Single Programme funding.
- Environment and Economy scrutiny committee and BWG already debated what we (LCC) would like from the UK Shared Prosperity Fund and **sent a pre-consultation response to government.**
- **LCC recently held a partner workshop on UK Shared Prosperity Fund** and will be sending further thoughts to those designing the fund: i.e. make it **easier for businesses to access the funding, allow physical regeneration schemes and prioritise utility**

**schemes, offer 100% and also up-front funding, and recognise the diversity of different places.**

***Impact on wider economy:***

- Greater Lincolnshire LEP has done a study into productivity and Brexit which shows that there are risks to the main sectors in our economy.
- DEFRA's consultation on a successor to the CAP continues to be focused on environment and small farms rather than on food production
- major local businesses in the global manufacturing supply chain are identifying concerns over their markets.
- proposals for customs arrangements provide some clarity for our transport/distribution sector but the required investment in custom post technology could distort some of the funding coming into Lincolnshire.
- Universities will be encouraged that the white paper recognises the importance of them being able to undertake European partnerships in teaching and research.
- LEP and LCC officers have now prepared an action plan to respond to the issues identified in the LEP's "Productivity and Brexit" report, but many of the outcomes will inevitably be affected by global market

**Recommended next steps:**

1. Specific actions such as-
  - a. **Seek a debate with government officials** on whether state aid and procurement rules could be implemented less rigorously
  - b. **Make a submission to Home Office about migration** in Lincolnshire in advance of the Immigration Bill
  - c. Continue to be **fully engaged in the design of the UK Shared Prosperity Fund and DEFRA's post-CAP agricultural policy**
  - d. **Produce a "Productivity and Brexit" action plan in partnership with Greater Lincolnshire LEP**
2. Use our **connections and influence to reinforce the messages** that we will be developing in the actions that are set out above-
  - a. **Invite Suella Braverman MP**, junior minister in DExEU, to visit Lincolnshire and present our case to her. A draft letter has been prepared to send in response to the letter we have received
  - b. Engage with the new Brexit committee working jointly between LGA (local government) and national government.
3. Analyse the LGA briefing paper (due out this week)

**Written by:**

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- **Already suggested that "No deal" and a move to a WTO-based tariff system would see a greater reduction in growth. Predictions are 4% reduction on GDP.**
- **The reality of "no deal" is complex, uncertain and confusing.**
- **Informed and uninformed suggestions about the impact of Brexit;** Airports at a standstill; Border delays –people and goods; food & fuel shortages and increased prices.
- **A period of international difficulty for both imports and exports**
- **Households face potentially higher prices as they absorb costs from labour changes, tariffs, and red tape, whilst consumer businesses could see profits slump by 1% to 4%.**
- **Premise that firms stockpile essential goods is flawed as many operate JIT principles.**

**Mark Carney** has warned that Britain would face **"big economic consequences"** and could need **emergency interest rate cuts** if the country crashes out the European Union without a deal - contracts worth trillions of pounds between UK and EU banks may collapse after Brexit.

### Agri-Food

- **After UK leaves the Customs Union, Food, Beverages and Tobacco is one of the sectors expected to be most highly impacted, as tariffs are usually quite high.**
- **Expected to be 12.7%, considering both current FTA and WTO rules.**
- **A survey by Federation of Small Businesses showed that 34% of small business exporters said that they would be deterred from trading with the EU if tariffs of 2-4% were introduced.**
- **High tariffs on imports offers opportunity for import substitution;** price of British products becomes attractive to UK consumers, benefiting British producers and food supply chains.
- **Non-tariff barriers include customs costs, other border costs and regulatory costs.**
- **The enforcement of different EU and UK regulations following UK's departure from the Single Market will most likely introduce the need for border checks on most food products.**
- **Uncertain as to how UK/EU border controls can be streamlined with the use of technology, but it will introduce an extra barrier to trade and the associated costs for UK businesses.**
- **According to official estimates, non-tariff barriers for food and drink could impose an additional cost of 14% (FTA-type deal) to 18% (WTO rules), higher than 8% (EEA-type deal).**
- **Manufacturing**
- **The imposition of tariffs and other barriers to trade after the UK leaves the Single Market and Customs Union would increase costs for manufacturers and reduce their competitiveness.**
- **Official estimates suggest**
  - **non-tariff barriers for machinery would not be very high.**
  - **additional cost of non-tariff barriers for chemicals and plastic and rubber products are expected to be around 12-13% in both WTO and FTA-type deals.**
  - **additional costs of non-tariff barriers for other goods have been estimated to be equivalent to 4% with an FTA and 6% with WTO rules.**

### Investments

- **Difficult to assess the direct impacts, however trade and labour supply are likely to affect businesses' decisions on investment; vital to improve productivity and develop new products.**
- **Lack of investment could diminish potential future productivity gains and reduce the capacity of businesses to adjust to workforce (e.g. developing automation) and trade (e.g. targeting new**

markets) impacts. As a proxy, the overall impact on GVA growth in official models ranges from -9.5% (WTO), -6.5% (FTA) and -2.5% (EEA).

- Treasury have committed to cover lost EU funding.
- Opportunities may open up to deal, easier, with countries outside the EU e.g. China, USA.

## Exporting

One of the basic premises of the Brexiteers is that we will be able to strike international trade deals with any country in the world on our own terms.

- **14% of Lincolnshire's economic output is exported**, slightly below the UK's output.
- Our businesses who do export do well; **the average exporter making £1.8m on exports**.
- Just under two thirds of Lincolnshire's export market is the EU, with Belgium and the Netherlands standing out as the destinations for £572m and £336m respectively.
- **The USA is Lincolnshire's largest non-EU destination for export**, with goods and services totalling £146m going to the USA.
- **Petro-chemicals and Food (including live animals) are the most exported goods** by value from (Greater) Lincolnshire
- **High growth, nationally, in exporting to non-EU countries**, particularly the USA (21%) and China (30%) over the past 5 years.
- Lincolnshire County Council, via its leading role with the Greater Lincolnshire Growth Hub and Business Support roles currently offers support to exporters and potential exporters:
  - Hosting a Department for International Trade (DIT) Going Global exporting event in May.
  - Running an Internationalising International Trade programme, furthering the development and expansion of current and potential exporters via export taster programmes
  - Greater Lincolnshire LEP **Export Co-Investment Fund** which offers grants towards language training, support for early stage exporters, legal, IPP, international marketing.
  - Access to **specialist advisors** in the Food, Manufacturing and Renewables industries.

## Education

- There are approximately **120,000 EU students studying in the UK generating over £3bn for the UK economy**. Around **20,000 jobs dependent on foreign students** with a high level of integration between the UK and EU education sector.
- **The EU also invests heavily in UK universities, further education, and research – £8bn** in the last decade - e.g. transformation of University of Lincoln.
- A loss of skilled EU workers in the hospitality sector means **UK FE colleges may need to boost their skills training to cope with extra demand** from UK students and employers
- **Data Security**
- UK negotiators have warned of significant economic and security dangers for Europe should the EU not grant a special deal on data-sharing laws after Brexit.
- EU businesses in sectors ranging from finance to telecommunications that are reliant on current data-sharing arrangements earned €36bn (£32bn) from the UK in 2016.
- In the same year, 13,000 requests from EU member states for information about criminal convictions of UK nationals received a response. Britain issued 35,000 notifications regarding EU nationals being convicted in the UK.
- The continued, uninterrupted and secure flow of personal data between the EU and UK is vital for all partners.
- “An agreement on data protection will be crucial for the EU and the UK, and any disruption to cross-border data flows would be costly to all partners

**Written by: George Spiteri**