

Business and Transformation Scrutiny Panel

Agenda
Item:
A.6

Meeting Date: 1st December 2020

Portfolio: Cross Cutting

Key Decision:

Within Policy and
Budget Framework

Public / Private Public

Title: BREXIT RISK ASSESSMENT

Report of: Corporate Director of Economic Development

Report Number: ED.45/20

Purpose / Summary:

This report considers the potential impacts and implications of a “Hard” or “No Deal” Brexit on Carlisle City Council and its services.

Recommendations:

That the report is noted.

Tracking

Executive:	
Scrutiny:	1st December 2020
Council:	

1. BACKGROUND

- 1.1** On 23rd June 2016 the United Kingdom voted to leave the European Union. In Carlisle, 60% of voters opted to leave the EU ¹ compared to the national figure of 52%². In March 2017 the UK Government invoked Article 50 of the Lisbon Treaty³, therefore triggering a 2-year process in which the UK was due to leave the EU on 29th March 2019.
- 1.2** In January 2020, the UK Parliament passed the withdrawal agreement and left the EU therefore triggering the transitional period due to end on the 31st December 2020.
- 1.3** The key issues which may impact our area include:
- Loss of European Funding
 - Difficulty in obtaining suitable employees in both the private and public sectors
 - Shortages of food, medical and construction supplies
- 1.4** The UK is currently in a transition period having left the European Union (EU) on the 31st January 2020. The transition period is an 11-month period in which the UK is still bound to EU rules, whilst in transition the UK will remain in both the EU customs union and the single market. As negotiations continue to take place, there will be no extension of the transition period and the UK will leave the EU without a deal should negotiations be unsuccessful. At the time of writing, negotiations are still underway, and it appears possible that the UK will leave the EU without an agreement.
- 1.5** There are many variables surrounding the Governments negotiations with the EU on Brexit and officers have been working with partners to prepare various scenarios. Like many other authorities the Council is not able to address many of the issues itself but may well have to respond to them.

2. IMPACT ON BUSINESSES

- 2.1** As the UK is currently in the transition phase there are actions businesses will need to take in order to be ready for either scenario of Brexit come December 31st.

¹ www.bbc.co.uk/news/politics/eu_referendum/results/local/c

² www.bbc.co.uk/news/politics/eu_referendum/results

³ www.instituteforgovernment.org.uk/brexit/brexit-brief-article-50

- 2.2** Carlisle is home to an estimated 3,940 businesses⁴ with 95% of those businesses falling into the small and medium enterprises (SME) category, whilst the economic activity rate for Carlisle is 84%⁵ which is higher than the national average of 80% recorded in June 2020⁶.
- 2.3** Carlisle's main two industries in terms of business counts are within Agriculture (16.8%) and the Construction (12.2%) industry⁷.
- 2.4** Agriculture is likely to be one of the most seriously affected by any Brexit deal as it is an industry dependant on trading with both the EU and the Rest of the World⁸. The Agricultural industry is heavily dependent on Common Agricultural Policy (CAP) payments and is likely to be adversely affected under any new trade arrangements within the industry, any elimination of these payments will have a strong effect of most Agricultural businesses.
- 2.5** The Construction industry likewise is heavily reliant on EU workers to plug the skills gap within the UK workforce⁹, in addition to this the industry is reliant not only on EU employment but also heavily on goods and materials supplied from around the world.
- 2.6 Importing and Exporting of goods**
- 2.6.1** In the event of a no-deal Brexit businesses will likely face many changes in the way they import and export goods
- 2.6.2** Businesses importing goods will need to declare import goods from the EU and ensure that they have the correct import licences and certificates required for bringing in goods to the UK¹⁰.
- 2.6.3** For businesses in Carlisle the impact on SME's may not be as large compared to the potential impact that a no-deal Brexit would have on the district's larger employers. Carlisle is home to a number of large employers who import/export globally, most notably; Pirelli, McVities and Nestle. The impact of a no-deal Brexit for these businesses could have serious implications in the way they currently operate, movement of goods between the UK and EU will be affected by tariffs and

⁴ Office for National Statistics, 2018

⁵ ONS, 2020, www.cumbriaobservatory.org.uk/economy-employment/report/view/a582fc0a0ae24bd8aca46d6c58c880a4/E07000028

⁶ www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/lf22/lms

⁷ ONSIDBR, 2020

⁸ Brexit: How might UK Agriculture Thrive or Survive; Newcastle University, 2019

⁹ What does Brexit mean for the UK's construction industry; CMS, 2016

¹⁰ www.gov.uk/prepare-to-import-to-great-britain-from-january-2021

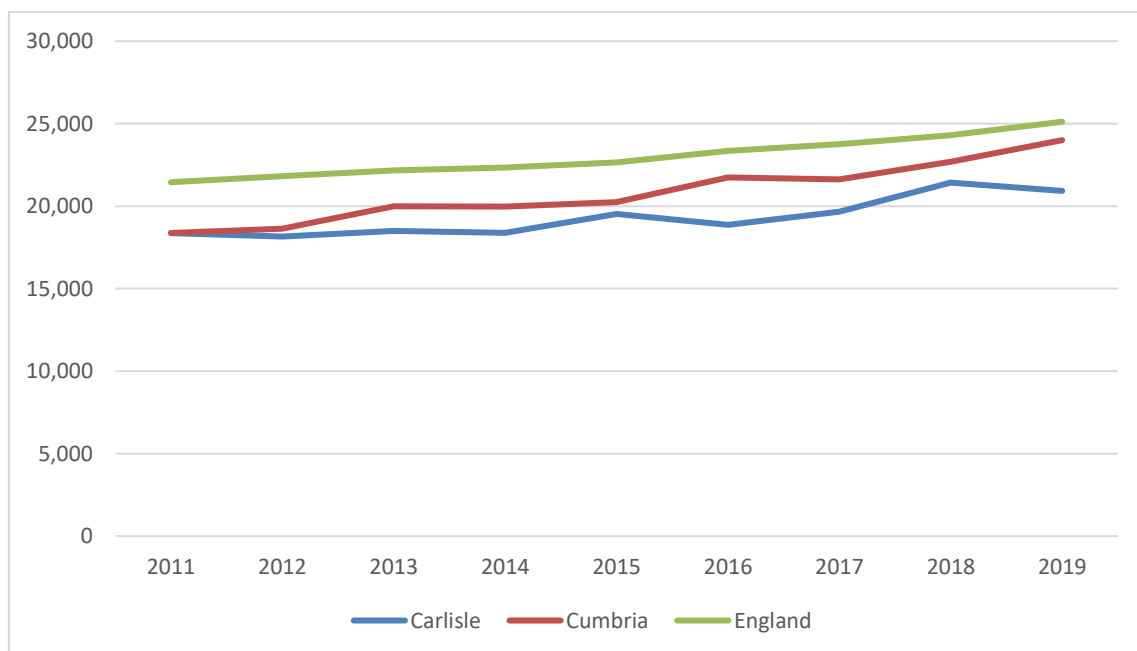
customs compliance requirements which will have a knock on effect on their supply chains.

2.7 Workforce

2.7.1 Any Brexit deal with the EU will have major implications for many employers within the UK, particularly in sectors such as hospitality, healthcare, food production retail and construction where there is generally a higher share of EU nationals employed in those sectors ¹¹. Carlisle in particular is often dubbed a “low-skill-low-wage economy” which is outlined by significantly lower average annual salary rates in comparison to the UK national average, furthermore Education levels show that Carlisle has a significantly lower percentage of people educated to NVQ4+ and above ¹², the potential impacts of this could mean businesses and organisations could struggle to recruit skilled workers from the EU.

2.7.2 There are currently an estimated 6000 EU residents living in Carlisle making up around 5.6% of Carlisle’s population¹³, this is broadly in line with the UK National average figure of 5.8%.

Median annual salary of Carlisle, Cumbria and England Residents 2011-2019



Source: ASHE, ONS 2019

Qualification Levels in Carlisle, Cumbria and England

¹¹ Preparing for Brexit through workforce planning; CIPD 2018

¹² APS, ONS 2019

¹³ ONS, 2019

Qualification level	Carlisle	Cumbria	England
NVQ4+	28	32.5	40
NVQ3+	51.7	55.4	58.5
NVQ2+	67.7	74.3	75.7
NVQ1+	85.2	89.4	85.8
Other Qualifications	8.4	5.2	6.7
No Qualifications	6.4	5.4	7.5

Source: APS, ONS 2019

2.8 Finance and Funding

2.8.1 With UK leaving the EU this means that both European Structural and Investment (ESI) and European Regional Development Funding (ERDF) have ceased, in its place the Government have pledged to set up a UK Shared Prosperity Fund (UKSPF) however there are currently few details surrounding its scale and design in addition to its implementation.

2.8.2 The UKSPF Briefing paper¹⁴ states that “The Withdrawal Agreement between the UK and the EU includes provisions to maintain current arrangements for structural funding until the end of 2020, funding will continue to be paid out after this point until the end of the funding programme but applications for funding will be closed.”

2.8.3 Library analysis of ERDF and ESF data from MHCLG ¹⁵ showed that ERDF and ESF funding to England since 2014 covered roughly 52% of the total costs of projects, which means that if the UKSPF intends to produce similar results in terms of funding then it will need to consider the total amount of investment enabled by ESI funding.

3. CARLISLE

3.1 Officers continue to monitor the situation and review the various scenarios and assess the risks. In order to address the risks, officers continue to work with partners including the Local Enterprise Partnership, Cumbria Tourism Partnership and the Chamber of Trade on plans for some of the more common consequences.

3.2 Government guidelines were issued in November relating to Border Infrastructure Data Adequacy, EU Settlement Scheme and Immigration, and the UK Shared Prosperity Fund which did not have any direct impact on us.

¹⁴ Briefing Paper 08527: The UK Shared Prosperity Fund; Philip Brien 2020

¹⁵ Library analysis of ERDF and ESF beneficiaries data from MHCLG, January 2020

4. CONCLUSION

- 4.1** It is clear that the issues facing us are national ones and that Council's ability to influence most of them is in reality very limited.
- 4.2** However, the Council is actively working in partnership with the Cumbria Local Resilience Forum and the LEP to dynamically assess the impact of the end of transition.

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**Appendices
attached to report:**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- **None**

CORPORATE IMPLICATIONS:

**LEGAL –
PROPERTY SERVICES -
FINANCE –
EQUALITY –
INFORMATION GOVERNANCE –**