



**Report to Economic and Environmental
Wellbeing Scrutiny & Policy Development
Committee
22nd October 2019**

Report of: Eugene Walker, Executive Director of Resources

Subject: SCC Brexit update

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Summary:

A revised assessment of the impact of Brexit on Sheffield has been requested by the Committee. As such this report provides an update on SCC's Brexit preparations to date and provides an overview of those issues/risks deemed as having the most potential significant impact on Sheffield, with mitigations outlined to address these.

Key points to note include:

- Overview and activity of the SCC internal working group
- Ongoing work with the Chamber of Commerce and the VCF
- The identified 4 main risk areas (the impact of Brexit on business, the supply of medicines and food supplies and the EU Settlement Scheme)

Type of item: The report author should tick the appropriate box

Reviewing of existing policy	
Informing the development of new policy	
Statutory consultation	
Performance / budget monitoring report	
Cabinet request for scrutiny	
Full Council request for scrutiny	
Call-in of Cabinet decision	
Briefing paper for the Scrutiny Committee	x
Other	

The Scrutiny Committee is being asked to:

The Committee is being asked to note and discuss the report and the actions taken to date, as well as identifying any specific areas that it wishes to hear more detail on.

Background Papers:

[Exiting the EU: Supplying the health and social care sectors](#) (National Audit Office, September 2019)

[Operation Yellowhammer](#)

[Brexit – potential impacts on the SCR economy and proposed mitigation measures](#) (SCR LEP Board, January 2019)

[No Deal readiness report](#) (HM Government, October 2019)

Category of Report: OPEN

Report of the Executive Director of Resources – SCC Brexit update

1. Introduction/Context

1.1 A revised assessment of the impact of Brexit on Sheffield has been requested by the Committee. As such this report provides an update on SCC's Brexit preparations to date and provides an overview of those issues/risks deemed as having the most potential significant impact on Sheffield, with mitigations outlined to address these.

1.2 This follows two previous updates to the Committee re Brexit during 2017 and 2018.

2. Main body of report, matters for consideration, etc

2.1 Upon succeeding Theresa May as Prime Minister during July 2019, Boris Johnson has stated that the UK will be leaving the EU on the 31st October. The Government has since released a no deal readiness report that outlines preparations taken since July 2019 across a number of thematic areas including industry, citizens and services.

2.2 As a consequence, 'no deal' Brexit was deemed to be significantly more likely, and as such SCC reconstituted its internal Brexit working group to respond to, and mitigate against any identified risks.

2.3 This group (Chaired by Eugene Walker, Executive Director of Resources in his capacity as Brexit Lead Officer) comprises of cross council representation and meets on a fortnightly basis.

2.4 Building on the work conducted during spring 2019 to assess the potential impact of no deal Brexit, the group has continued to evaluate the impact on Sheffield's residents and businesses as well as SCC colleagues and service provision. At this point, there are four areas/risks that are deemed as having the most significant potential impact on Sheffield in the event of a no deal Brexit. These are:

- Business
- Supply of medicines and social care provision
- Food supplies
- What support there is in place for EU citizens resident in Sheffield to apply for UK citizenship

Business – Business readiness will not be uniform – in general larger businesses across sectors are more likely to have better developed contingency plans than small and medium sized businesses. There is also a sense that business readiness will have been impacted by EU Exit fatigue due to the second extension of Article 50 to October 31st, and that many businesses will not have the resources nor capacity to prepare to the same level of assuredness as the original March deadline for leaving the EU.

This mirrors anecdotal evidence in Sheffield that businesses are facing continued uncertainty regarding being able to plan effectively for Brexit. As a consequence, it is believed that businesses are adopting a 'wait and see' approach, with planning made all the more difficult without knowing if a deal will be secured. Should a deal be agreed, this will secure a 2 year transition period, however in the event of no deal, the UK will 'crash' out and therefore revert to trading under WTO terms.

The key issues that businesses need to understand and prepare for are:

- Duties implemented to imported and exported goods
- VAT applied to imports
- Border delays
- Change in customs documentation
- The value of sterling affecting import costs

A SCR paper from January 2019 outlined in detail the potential impact of a no deal Brexit on the SCR, with much of the detail contained still relevant 9 months later. Areas of concern highlighted include:

- The Government's own analysis shows that the Yorkshire and Humber will likely see its GDP growth by up to 8.5% over a 15-year period in the event of a no deal Brexit.
- South Yorkshire's export market is heavily dependent on the EU with 57% of the value of all goods going to this market, which means that businesses within the SCR are exposed to the negative effects of potential increased delays and tariffs. Tariff and non-tariff barriers could impose costs on business of between 5-10% in the SCR on such key sectors as advanced manufacturing.
- Lower numbers of EU workers, especially lower-skilled workers, would cause challenges to businesses in the SCR. These challenges will be greatest for sectors that dependant on EU workers to fill vacancies, such as logistics and manufacturing.

SCC response to date:

Working with the Chamber of Commerce, SCC has used part of the Brexit preparations fund made available by Government to all councils, to fund 2 x International Trade Advisors (to be based in Sheffield Chamber of Commerce). These advisors will provide advice to

businesses re any new trading requirements with the EU and any opportunities that may exist in new markets post Brexit. The recruitment of additional ITA's for Sheffield will provide a better practical level of support to businesses that other all support providers can refer into including Business Sheffield and Sheffield City Region Growth Hub

Supply of medicines – A no deal Brexit represents a significant risk to the NHS and to the care sector, with 75% of the UK's medicine supplies coming from or via the EU¹. The National Audit Office in a recent report, whilst acknowledging that there has been progress to date e.g. stockpiling six weeks' supply of drugs and arranging for emergency supplies to be fast-tracked; outlined that there are still significant gaps in current preparations.

The supply chain for medicines and other clinical products is being managed nationally, and NHS England (NHSE) has invested significantly in staffing to ensure contingency arrangements are in place. However, in the event of a no-deal Brexit, the Department of Health would be working in a highly uncertain environment and operating all the elements of its national strategy would be a hugely demanding task. It is however understood that NHSE is confident about vaccines and blood product coverage and that local providers have undertaken contingency planning with regard to radioisotope supply.

SCC response to date:

Locally, there is a regular meeting of the organisational leads for contingency planning across the NHS bodies in Sheffield (chaired by Greg Fell, DPH) to mitigate the threat of a no deal Brexit and to ensure consistency and commonality across the city – this meeting does not replace the assurance and contingency planning that is in place for each of those bodies as part of the Local Health Resilience Partnership.

Actions taken to date include an early warning system for community pharmacies and hospitals to report any shortages of medicines to the CCG, updating contingency plans and requiring all suppliers to do the same, communications activity to all stakeholders, work to identify the most vulnerable social care users and working with providers that we commission care from to ensure continuation of service.

Social Care – Nationally, resilience of social care is a major concern, with the caveat that it is unclear whether this is on account of the intrinsic resilience of the sector or whether these are related to no deal Brexit uncertainties. Commonly cited issues include the fragility of small and medium sized provider organisations, low rates of pay and workers being attracted to the retail sector over the winter months.

The NAO's report also comments that the care sector (nationally), is fragmented in that it relies on 24,000 companies to provide services, and that no central arrangement has been made to stockpile equipment and supplies, such as syringes and needles, most of which come from or via the EU.

¹ Exiting the EU: Supplying the health and social care sectors (National Audit Office, September 2019)

Locally there is a residual risk with respect to people who purchase their own care employ personal assistants directly, because these arrangements are between the individual and their employee/provider and we do not have the same level of oversight that we do for provision that the council directly commission. Due to this lack of oversight, it is difficult to quantify the level of risk and to judge the potential severity and impact.

SCC response to date:

Any issues that are likely to materialise locally are expected to be “slow burners” i.e. workforce make up and retention, future recruitment of social care staff. There has been, and will continue to be an emphasis on reviewing business continuity plans (both internal and those of commissioned suppliers) in order to ensure that any risks to service provision will be fully mitigated against. SCC social care services are also working with all providers to assure plans and thresholds for financial interventions

Food supplies – The government’s plans for a no-deal Brexit, as detailed in the recently released ‘Operation Yellowhammer’ warn of severe disruption to cross-Channel routes and as a consequence, affecting the supply of certain types of fresh foods. Whilst noted that this would not lead to overall food shortages “it will reduce the availability and choice of products and will increase price, which could impact vulnerable groups”². In addition the 31st October comes at the end of the British growing season, and the agri-food supply chain will be under increased pressure at this time of year, due to preparations for Christmas, which is the busiest time of the time for food retailers – the combination of these scenario’s will further exaggerate any potential shortfalls in availability.

In Sheffield, the Food Bank Network alongside other organisations, including Healthwatch, and VAS and the NHS, have expressed concern about the possible impact of a no deal Brexit on donations to foodbanks across the city. At a time of high levels of historic need (see impact of Universal Credit); any reduced donations would again have a significant impact on the most vulnerable residents of the city.

SCC response to date:

SCC doesn’t have a large food supply chain resource – the council’s school catering service is small, with most schools providing their meals and no residential social care is provided in house. As such we are managing any issues through checking on the rigour of our contractors supply chains and business continuity arrangements.

EU citizens/Settled Status Scheme

SCC response to date:

The council’s Community Services team has secured £45k worth of funding from the available European Union Settlement Scheme (EUSS) monies. This funding is supporting a number of projects/initiatives that are currently being delivered through the VCF in the city. These include:

² HMG: Operation Yellowhammer

- Roma Support Group (a national organisation) are leading in pulling together various organisations across the country and so we're assessing their work as this organisation was involved in piloting the EUSS and therefore have more experience and best practice that can be implemented locally.
- SCC Community Services have met with Clifton Learning Partnership in Eastwood to exchange best practice. Shared concern that there is a serious possibility that residents will cross the Sheffield/Rotherham "border" if one council is providing a significantly different service to the other – therefore attempting to develop a standard set of messages and a similar approach.
- Darnall Well-Being are recruiting for a number of posts, funded the Sheffield Community Investment Deal, to support the EUSS process, and have met with some key players in the community such as Firvale Community Hub, but the key issues will be employing some Roma staff/volunteers.
- Community Services have met with Sheffield Citizens Advice Bureau to see what provision they are planning in relation to EUSS in order to attempt to align and provide consistent messages.
- Darnall Wellbeing has employed 5 people, all part time, equating to 45 hours per week to provide one to one support with the EUSS application. They provide 5 sessions per week in Darnall Library, Firth Park Library, Firvale Community Hub and Central Library. To date they have provided support to 43 people, with an additional 20 people scheduled for appointments. It is too early in the application process to expect an outcome as yet.

Brexit preparations funding

- 2.5 To date SCC has received £315k from central government to support Brexit preparations. This initial funding has been used on a number of projects to alleviate the above risks, including:
- Providing support to EU nationals who live in Sheffield with help to apply for Settled Status through our Customer Contact Centre based in Howden House;
 - Employing temporary staff to deal with public queries in the event of a snap election;
 - As noted above (see 2.3) - funding 2 x International Trade Advisors to provide advice to businesses re any new trading arrangements/requirements with the EU and any opportunities that may exist in new markets post Brexit; and
 - Working with the local voluntary sector and community groups across Sheffield to help identify any further support that may be required, with a particular focus on food and fuel issues.
- 2.6 SCC also feeds into and complies with, national reporting arrangements as seen through the Yorkshire and Humber Local Resilience Forum and receives regular updates from MHCLG through Tom Riordan, Chief Executive of Leeds City Council, in his role as regional lead.

EU Funding

- 2.7 Sheffield City Region was notionally allocated £191m as part of the European Structural Investment Fund programme 2014-20. Over 75% of the allocation is either contracted or is being considered by the Managing Authorities. Calls for ERDF and ESF have recently been published and the Government is planning a further round of calls in the new year to maximise the use of all ESIF funds before the end of the Programme.
- 2.8 In respect to Brexit, the Government has confirmed that it will guarantee all projects that would have been funded by the EU under the 2014-2020 programme period and in the event that the UK leaves the EU without a deal, projects delivered through the guarantee would be managed largely following existing processes.
- 2.9 Government has indicated that should EU funded programmes no longer be available after Brexit, they will be replaced through the UK Shared Prosperity Fund (UKSPF).
- 2.10 The UKSPF was part of the Conservative Party's 2017 manifesto and the Government's 2017 Industrial Strategy. In July 2018, the then Secretary of State for Housing, Communities & Local Government James Brokenshire, made a written statement about the fund. However, the consultation on the scheme that was due to be opened before the end of 2018 has not as yet been forthcoming.
- 2.11 Government has previously made clear that UKSPF is to be the successor to - rather than a continuation of - EU structural funding. The Government's published objective is to use the UKSPF to tackle inequalities between communities by raising productivity and reducing economic disparity between regions of the UK.
- 2.12 The UKSPF will therefore now be directly influenced by central Government's economic policy – in contrast to EU Structural Funds which were an opportunity to return monies paid into the EU budget to support UK regional economic development.

3 What does this mean for the people of Sheffield?

- 3.1 It is not clear at the time of writing what form of Brexit the UK will ultimately take. It is however appearing increasingly likely that the UK will leave the EU under a no deal scenario and as such, SCC is taking all necessary precaution to ensure the effective provision of services for the city's residents.

4. Recommendation

- 4.1 The Committee is asked to note and discuss the report and the actions taken to date, as well identifying any specific areas that it wishes to hear more detail on.

