

Risk Assessment of the No-Deal Brexit

Introduction

1. At the time of writing, it appears possible that the UK will leave the European Union without agreement being made about future relationships. A large number of public and private organisations are currently assessing the risks that such an event might expose them to directly or through wider impact on society.
2. The area is a highly political one and it is important to try and assess risk as neutrally as possible. The council is not able to address many of the issues itself, but may well have to respond to them. Hastings is not typical of the UK in several ways which merit particular attention:
 - An economy which relies heavily on tourism, particularly from overseas, with the majority of these from EU countries, and as part of this, foreign language schools
 - Home to a high profile under ten metre fishing fleet
 - Significantly higher levels of poverty and ill health than the average
 - Predominantly a small business economy
 - A substantial care industry
 - Traditional success in obtaining European funding for economic, cultural and social inclusion projects.
3. Government guidance has been recently published on the impact of a no deal exit.
4. The Hastings area voted narrowly in favour of leaving the EU and opinions and attitudes amongst residents are likely to continue to be divided through the exit process. A “re-run” referendum might raise the tensions within the community as might a disorderly exit.

Risk Types

5. Risks have been divided into categories:
 - Strategic and Policy
 - Impact on communities
 - Impact on the economy
 - Impact upon the council.

Chief Risks

6. The successor funding regimes to European programmes might be more narrowly focussed and have lower value than current programmes. Additionally the council may lose the ability to work as a lead partner in a programme or bit independently depending upon future arrangements.
7. An economic downturn might postpone or delay infrastructure investment in projects like the extension of high speed rail to Hastings, Bohemia and the next stages of A21 improvements.
8. An economic downturn may adversely impact the current finances. For instance the take up of its land holdings may fall and anticipated developments become more difficult to move forward. The council depends upon asset disposal and income earned from developments to deliver its services.
9. Local business performance is impacted leading to a fall in cross added value and potentially loss of jobs in local companies.
10. Hastings tourism industry, which has been focussed on high value overnight visitors often from the continent, is impacted by both travel restrictions and a negative image in the mind of European customers. This could be particularly significant in respect of the language schools, if parents/guardians of students perceive their children will be unwelcome here. The language school business is worth an estimated £30m to the town.
11. An increase in poverty if there is an economic downturn. This might also impact upon demand for council services.
12. There might be difficulties in both the private and public sectors in obtaining suitable employees. Of particular concern to the public sector would be shortages of care staff, medical staff, teachers and others. There would be no short-term way to produce high numbers of qualified staff from within the UK. This might put added pressures on the council and particularly our staff and their families. A downturn in education or medical service is likely to be reflected in staff absence to deal with the needs of family, particularly children.
13. There is a risk of food and medical supplies being subject to shortfall. Government and NHS are looking at the medical issues because of concerns that access to drugs might be difficult at least temporarily. How customs operate at Dover/Folkestone/Newhaven/Gatwick and other key transport hubs will be key in the ultimate level of risk.

14. There is a risk of heightened tension of different kinds and certainly there was a sharp increase of reported incidents made to the Police after the Brexit vote by people who had been abused or assaulted because they were or were thought to be citizens of other EU states. This should be taken seriously. There is a risk of this and of more widespread disorder though in a Hastings context this might not appear to be as likely.

Other Brexit Options

15. A negotiated settlement may or may not bring elements of risk and certainly there is a strong argument that there will be an economic downturn at least in the early years after Brexit. A diagram below produced by the Cabinet Office gives a brief outline of options currently being discussed.

		Access to the Single Market in goods and services									
		Votes on EU law	Tariff-free trade	Customs Union and external trade	Level playing field for business	'Ever closer union'	Justice and Home Affairs (JHA)	Free Movement of People	Schengen border-free area	Contribution to EU financing	Eurozone membership
UK membership of the EU								a)		b)	
Standard EU membership											
Norway (non-EU EEA)											
Bilateral Agreements	Switzerland										
	Canada										
	Turkey										
WTO membership			c)		d)						

Legend	
Full	
Partial/voluntary/special arrangement	
None	

(from 'Alternatives to membership – possible models for the UK outside the EU', Cabinet Office, March 2016)

Conclusion

16. The issues facing us are national ones. In different places they will be felt to greater or lesser degrees if a no deal Brexit occurs. The council's ability to influence most of them is in reality very limited.
17. The draft risk plan identifies a number of issues and proposed mitigations. If members accept these CMG should be asked to take these issues forward with partners. There are limits to organisational capacity and it is proposed that other East Sussex Councils and the Sussex resilience Forum are contacted about the possibility of joint work around the major strategic risks.
18. The council's financial planning should also plan for the potential impact of a reduction in income and increased costs as these issues become clearer.

Implications

19. These issues has implications for the following

- The economy/council finances
- Community Safety
- Organisational consequences.

These are covered in the report and attached draft risk register.

Strategic and Policy

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for controls	Mitigation
The council's access to European funding reduces. The Boroughs capacity to work independently within East Sussex, SELEP and national structures is also reduced.	M	H	H	It is likely the ability to develop and seek support for Hastings focused and led projects will be diminished. The current systems allow the council to work in and out of different funding programmes. Post Brexit it is possible reduced funding will be more narrowly focused and access for districts reduced by strengthened regional structures.	Leader CMG	Ensure Hastings is effectively represented at county and regional partnerships. Resources invested in leading projects on behalf of partners. Maintain lines of dialogue outside formal structures. Ensure strategic fit of future.
Urban and northern focus of UK Government results in loss of the current limited focus on the coast.	H	H	H	It seems likely that LEP and regional structures together with city regions and mayors will be dominant if resources are restricted. Funding will not focus the south of England.	Political Leadership Directors	It will be critical to renew the structure of coastal and regional partnerships we operate in order to maximise influence and benefits.
Economic downturn prevents major capital projects like high speed rail extension to Hastings or Town Centre/Bohemia proceeding.	M	H	H	Huge if this happens. Return in investment is already better for projects close to urban areas/big development areas.	Political Leadership Directors Regeneration	To work with partners at all levels to advance our case.

Impact on communities

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for controls	Mitigation
An increase in inter-community tension caused by friction around exit or a re-run referendum.	H	M	H	The individual impact of a hate crime will be high for the victim(s). The impact on community relations will depend upon both the number/nature of incidents and how they are responded to.	Members CMG Staff Police	The council should work with community partners, police and others to prepare and inform the town and campaign for an open and inclusive Hastings. Partners need to make clear the zero tolerance for hate crimes.
More widespread disorder.	L	H	M	It seems unlikely a major political disorder would take place given the town's history. However, if this does, this could be very damaging to community relationships and the town's reputation.		Work with Police and other partners to monitor tensions.
An increase in poverty if there is economic downturn.	M/H	M/H	H	Potential for increased benefit dependence, unemployment, and child poverty. Possible increase in homelessness. However this is challenging to quantify.	LEP DWP Councils	It is impossible to predict the economic impact on specific communities at this stage. It is critical that both county and Hastings based welfare and housing partnerships work in a coordinated way to understand increases and changes in the

						nature of poverty
Tensions between predominantly exit and remain communities.	M	M	M	There is little real dialogue (rather than argument) about the impact of Brexit nationally. We know divisions exist in class, age, gender and ethnic grounds. Evidence of high levels of disillusion amongst white working class communities.	Political leadership	Irrespective of Brexit outcome to be more relevant to communities in Ore Valley, Downs Farm, Hollington, Central st Leonards etc. is needed. CHART CLLD offers a platform but a significant new dialogue about the future of these communities is overdue. Promote positive images in media.
Food, medicines and other critical supplies are not imported from the continent and supplies run out/short supply.	Not known	H	Unkn own	If this appears likely there might be panic and disruption. There might be the need for rationing. The severity would depend on what was unavailable and particularly the duration of any shortages.	Director	Unknown. The council would need to work with national and local agencies to address this risk. The council would expect national markets to be produced and co-ordination of efforts by the Sussex Resilience Forum.
Loss of opportunities for external funding may impact deprived communities. Alternatively	M	H	H	A downturn and reductions in public expenditure will mean social projects funded through the EU will not be replaced or be partially replaced.	Political leadership CMG	Work with other LAs, health and partners to lobby for successor funds to

funding could be focused on other priority themes and areas, not applicable to Hastings socio-economic profile						current European social programmes. Use CLLD as a platform to influence MCLG and SE LEP on needs of coastal communities. Collaboratively work with our coastal and regional partners
Loss of external funding may lead to council job losses.	M	M	M	Dependent on successor funding the council may be forced to declare posts redundant that cannot be funded going forward.	CMG	To work to minimise redundancies by funding alternative job opportunities in the council where this is possible – particularly where existing programmes are ending and there appear to be no immediate UK successors.
Adverse impact on fishing industry.	L	H	M	The fishing community has argued for Brexit and/or reduction of regulations on the Hastings fleet. A no agreement exit might mean restrictions are lifted. Boats from the rest of UK might fish locally if denied access to European waters.	Regeneration/ Economic Development	To review as the impact of exit becomes closer. To lobby as appropriate in favour of sustainable fishing practices.

Impact on the economy

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for controls	Mitigation
Drop in local gross	H	M	H	The LSE has estimated that	CMG	Research this

domestic product and gross added value.				Hastings will lose 1.2% of GVA on a soft exit and 2.1% on a hard one. No agreement could potentially be worse. Impact on local companies and employment.		further. Work with LOCATE, Chamber and ES partners to assess and mitigate impact.
Tourist industry hit by both travel issues and image of a welcoming place.	H	M/H	H	The reduction in visitors, who are higher spending than domestic visitors, and particularly European students. Substantial local impact. Job losses.	Regeneration	To assess risk and to come forward with plans to promote Hastings to language schools, etc. Some work might be undertaken jointly. To re-assess approach to monitoring to ensure Hastings is maintaining its position in partnership with 1066 partnerships. To consider how cultural offer is developed in these circumstances.
Local firms that export to or import from Europe may be adversely affected.	M	M	M	Difficult to scale.		Seek research in partnership with business, Sussex Chamber, ESCC and LOCATE to identify this risk across East Sussex.

Impact on Council

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for controls	Mitigation
Economic downturn could delay sale of the council's land assets and/or delay the development of council owned sites and the council could be forced to sell sites at lower values.	M	M/H	H	It is not possible to seek the size and duration of any economic downturn. However, development projects in Hastings are often more marginal in Hastings than elsewhere in the region. The council has an asset disposal programme which is key in financing ongoing expenditure.	CMG to review	The council will need to consider the economic and social value of projects and seek funding where this is impossible. Projects delayed until market picks up.
Economic downturn could lower the return on council investments.	M	M	M	Income the council is anticipating drops.	Finance Officer	To review investment programme.
Future procurement rules are more complex or are unclear.	M	M	M	This may be beneficial if EU procurement is replicated with something less burdensome. However, there can be no guarantee of this	Legal Services Finance	To ensure HBC conforms to new regulations as they are introduced
Pressure on services increases in poverty and unemployment rise as part of a downturn.	M	M/H	H	Again, this is impossible to predict. Pressure on Housing and Benefits and Community Contact Centre could be serious. Additional need for grant aid to advice services like CAB may be called for.	CMG	To work in partnership with East Sussex partners if crisis in welfare or homelessness emerges. To review staffing as appropriate to lobby Government for resources if such problems can be realistically anticipated and

						scaled.
From 30 March EU nationals will not have rights to vote unless an agreement is made, affecting electoral roll.	H	L/M	M	The role would need to be reviewed with potential staff impact.	Returning Officer	To review role if required.
Customs clearance arrangements might impact contractors delivering major projects to the point projects are delayed.	M	M	M	Unknown.	CMG	Ensure staffing issues explored when issuing contracts.
The council does not understand the changes that will take place that might give opportunities or challenges for local businesses.	H	M	H	To be assessed. It is clear that other councils like Dover in Kent have begun to assess this in more depth. This is something that might be approached with East Sussex/Team East Sussex partners.	CMG	To discuss with partners to examine how this can be taken forward for Brexit work.
Drop in demand for services if population decreases.	L	L	L	It is difficult to assess without research to establish the level of demand from EU citizens or a clear view of the numbers likely to leave.	CMG	If demand dropped sufficiently staffing would need reviewing yet this seems relatively unlikely.