

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO COUNCIL

6 JULY 2016

REPORT OF THE CHIEF EXECUTIVE

IMPLICATIONS OF THE REFERENDUM VOTE TO LEAVE THE EUROPEAN UNION

1. Purpose of this report

- 1.1 The purpose of this report is to inform Council of the initial implications for this Council of the recent referendum vote to leave the European Union (EU).

2. Connections to the Corporate Plan

- 2.1 The decision to leave the European Union will affect many areas of Council activity and therefore will inevitably impact upon delivery of the Corporate Plan.

3. Background

- 3.1 On 26th May 2016, the British people voted by a majority of 51.9% to 48.1% to leave the European Union. There was a stronger “leave” majority in Wales (52.5% to 47.5%) and stronger still in the County of Bridgend (54.6% to 45.4%).

4. Current Situation

- 4.1 In the aftermath of the result, there is significant uncertainty over even the timeline for triggering the process. At the time of writing, the President of the European Parliament, Martin Shulz, has suggested that negotiations should begin as early as 28 June. By contrast the Chancellor of the Exchequer, George Osborne, was clear in his speech on 27th June that under Article 50 of the Lisbon Treaty only the United Kingdom can initiate the process to leave the European Union and this should not begin until the autumn when a clear negotiating position has been established by the UK. The paragraphs below highlight the key areas of this Council’s activities which may be affected.

EU Grants

- 4.2 Wales receives significant levels of EU funding, in particular for both Regional Development (European Regional Development Fund (ERDF) and Regional Development Programme (RDP)) and Social programmes (European Social Fund (ESF)) as well as subsidies such as primary school milk. The current programmes run to financial year 2020/21, with expectations prior to the

referendum of an extension beyond this. The County of Bridgend currently has approved EU funding of £4.926 million, as shown in the table below:

Programme	Approved	EU Grant Value	Timeframe (and notes)
RDP	reach LEADER (Bridgend Local Action Group)	1.8m	31 st December 2020
ESF	Bridges into Work	0.973m	To 31 st March 2018 (plus possible extension and additional funds)
	Inspire 2 Achieve	1.579m	To 31 st October 2018 (plus possible extension and additional funds)
	Regional Engagement Team	0.241m	To 31 st March 2021
ERDF	Regional Engagement Team	0.333m	To 31 st March 2021
TOTAL		4.926m	

In addition, there are further grant applications in the pipeline totalling in excess of £18 million, in various stages of development progress, ranging from speculative proposals yet to be submitted to fully developed bids previously submitted and likely to be approved later this year.

4.3 It is expected that at least in the medium term, current approved grant schemes will be continued, though it is likely those which are closest to approval will be at least delayed, or put on hold, until the situation becomes clearer. With specific reference to the Cardiff Capital Region City Deal, it is expected that specific funding measures will need to be urgently put in place to guarantee funding for the Metro scheme. Assurances are currently being sought from Welsh Government. 4.4. Following the formal exit of Britain from the European Union, there are essentially two key uncertainties relating to grants:

- Control - how will the historic funding contribution from the European Union be allocated between Westminster budgets, devolved budgets, taxation and deficit reduction?
- Purpose - How much of that funding will be used for grants and how might those grant schemes be different to current EU schemes

Legislation

- 4.5 The Council is bound by procurement and employment legislation from the European Union. It is expected that new legislation will need to be introduced and it is not known what might be the same as the current EU legislation and what might differ.
- 4.6 A large proportion of UK legislation (including legislation made by devolved legislatures) is made under powers contained in section 2(2) of the European Communities Act 1972. The repeal of that Act will lead to the lapsing of all secondary legislation that was based on that power, unless suitable transitional provisions are put in place. However, the timetable for withdrawal is at this time unclear and Members will be provided an update on this aspect once the position has crystallised.
- 4.7 As the Council is primarily a provider of services, it has relatively less exposure than, for example, the manufacturing sector, to uncertainty surrounding future trade agreements with the single market.

Investments and Pensions

- 4.8 All of the Council's investments are held in pounds, with no foreign currency exposure. The Council operates a deposit account with a UK subsidiary of a Swedish Bank, Sveska Handelsbanken, whose branch is in Pencoed. It is not considered that this poses any immediate risk however this situation will be monitored.
- 4.9 Neither the Council's long term debt with the Public Works Loan Board (PWLB) nor the Lender Option Borrower Option (LOBO) Loans subject the Council to an increase in borrowing costs should there be an increase in interest rates.
- 4.10 The uncertainty of the future trade, political and legislative arrangements have caused significant volatility in both UK and World financial markets, and it will likely take some time for this situation to stabilise. The Council's Local Government Pension Scheme will have seen the value of its investments fall in recent days due to this volatility. However, members should note that pension fund holdings represent long term investments to meet the long term liabilities, and therefore the immediate fluctuations are less important than the longer term economic impact of the referendum.

5. Effect on Policy Framework and Procedure Rules

- 5.1 There are no policy or procedure implications from this report.

6. Equality Impact Assessment

6.1 There are no equalities implications from this report.

7. Financial Implications

7.1 The financial implications are reflected in the body of the report.

8. Recommendation

8.1 Council is asked to note the contents of this report

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Background Documents: None