

Report – Policy & Resources and Finance Committees

Brexit Contingency Fund

To be presented on Thursday, 6th December 2018

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

Following the referendum on the UK's membership of the European Union (EU), the UK will be leaving the EU on 29 March 2019. There is currently a significant level of uncertainty on the terms under which the UK will leave and the future trading relationship it will have going forward.

The outcome of these negotiations will be a key influence on the City Corporation achieving its vision of being “dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally successful UK” as well as impacting on its ability to deliver its day to day services. It is anticipated that significant engagement activities will be required in the lead up to and post exit from the EU; however, no resources are currently allocated for this additional activity and there is likely to be insufficient provision within the existing Policy Initiatives Fund or Finance Committee Contingency to meet need.

To achieve its strategic aims during this period, as well as to manage the risks to service delivery, it is **recommended** that a Brexit Contingency Fund of £2m be established in 2018/19 to support the organisation through this period, overseen by the Policy and Resources Committee. It is proposed that the fund is available in the current and following financial year covering the period of negotiation and transition to the new operating environment, with any unspent balance in 2018/19 carried forward into 2019/20.

RECOMMENDATIONS

Members are asked to endorse the creation of a Brexit Contingency Fund of £2m in 2018/19 with provision to carry forward any unspent balance into 2019/20.

MAIN REPORT

Background

1. The referendum held on 28 June 2016 concerning the UK's membership of the EU resulted in a majority vote to leave the EU. This has triggered a complex set of negotiations between with UK Government and the EU on the terms of the UK's withdrawal and the future trading relationship between the UK and EU.
2. The uncertainty in the negotiations and future working relationship has created several risks for the City of London Corporation linked to delivering its strategic objective of supporting a thriving UK economy and continuing to deliver its

services. Whilst the nature of any future working relationship and the associated impact are unknown, it is likely that increased engagement activity and possible additional costs associated with service delivery in some areas will be necessary. It is therefore prudent to put in place the requisite arrangements now, to facilitate timely activity in the coming period.

3. Under these circumstances, the Policy and Resources Committee proposed that a Brexit Contingency Fund should be established aimed at supporting the City through this period. Your Finance Committee has also endorsed this proposal.

Current Position

4. The risks to the City from the current uncertainty have recently been added to the Corporate Risk Register as detailed in a report to the Audit and Risk Management Committee on 6 November 2018. Appendix 1 provides details of these risks.
5. Chief Officers have been asked to address these risks and a task and finish group has been established to take an overview of the City Corporation's preparations, to ensure the impact of Brexit on key service areas is minimised.
6. In considering these risks and the range of possible outcomes that could come into play as negotiations progress, access to a flexible fund to enable departments to respond quickly to the changing landscape and influence the direction of travel would contribute to mitigating the impact of the current uncertainty.

Proposals

7. The objective of establishing a Brexit Contingency Fund would be focused on delivering the following outcomes:
 - a. Communicate the interests of the City as part of the negotiation process through engagement with key stakeholders. These activities should be distinct from those carried out under the Policy Initiative Fund (PIF) and, therefore, should be new activities focused on Brexit specific issues.
 - b. Help mitigate the risks identified in the Corporate Risk Register (see Appendix 1). Requests for funding under this heading should be clear on how Brexit has affected the issue and how this is distinct from general services changes/pressures. It is anticipated that defined outcomes should be set out for any bids under this heading.
 - c. Manage any urgent unforeseen issues arising from Brexit. Due to the lack of clarity on the future UK position, new risks and pressures could emerge once a final agreement has been reached. As with point b, any bid under this heading will need to be clear on the Brexit impact of any issue and how this is distinct from general service changes/pressures.
8. To ensure that the fund allocation process is responsive to emerging needs, your Finance and Policy and Resources Committees have agreed that bids of up to £100k should be delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Policy and Resources Committee, to agree and allocate funds. Bids above that level would be subject to consideration by the full Policy and Resources Committee (or under urgency procedures, with all

Members being informed of the proposals, where the need is too urgent to wait until the next scheduled meeting).

9. All bids will need to set out how the request meets the above outcomes and confirm that other sources of funding have been explored before submitting a request to this fund. This will ensure that existing funds and activities have been reviewed and reprioritised before additional funds are allocated. Bids should not request funding beyond 2019/20.
10. All agreed bids will be required to report back to Committee on the outcomes achieved through the funding provided. Subject to the volume of bids, it is anticipated that this will be via a single report produce every six months setting out the achievements to date. Financial reporting on the fund's balance and any expenditure will be provided on a monthly basis.

Corporate & Strategic Implications

11. The aim of the fund is to enable the City to achieve its corporate and strategic objectives during this period of instability and change.

Implications

12. It is proposed that £2m of funding be allocated in 2018/19 to the Brexit Contingency Fund with provision to carry forward any unspent balance into 2019/20. The allocation will be funded from City's Cash. This amount is deemed a reasonable sum considering the likely activities required but, given the uncertainty in the negotiations and the scale of change, this sum may need to be re-evaluated as more information becomes available. Any unspent funds at the end of 2019/20 will be remitted back to the City's Cash Fund balance.

Conclusion

13. Due to the ongoing uncertainty of the Brexit negotiations and the potential risks this poses to the City of London, it is proposed that a Brexit Contingency Fund be established to help manage the transition to the new operating environment. This fund will be overseen by the Policy and Resources Committee where bids to utilise this fund will be submitted for approval. The fund will be available in the current and following financial year.

Appendices

- Appendix 1 – Corporate Risk Register Entry for Brexit Risk.

All of which we submit to the judgement of this Honourable Court.

DATED this 15th day of November 2018.

SIGNED on behalf of the Committee.

Catherine McGuinness, Deputy
Chairman, Policy and Resources Committee

Jeremy Mayhew
Chairman, Finance Committee