

Report of	Chief Executive	Author	Adrian Pritchard
Title	EU Referendum Impact		282211
Wards affected	All		

This report concerns the decision to leave the European Union and the potential impact, risks, mitigation and business confidence as a result of that decision.

1. Decision(s) Required

- 1.1 To consider the potential impact, increased risks, possible mitigation of these risks and the business confidence as a result of the outcome of the referendum on the decision to leave the European Union.
- 1.2 To note the potential impact on the Borough and the Council of the decision to leave the EU and to monitor the affects as they become clearer.

2. Reasons for Decision(s)

- 2.1 It is clear that there will be a number of impacts and increased risks as a result of the outcome of the referendum and the decision to leave the European Union.
- 2.2 While these impacts and risks are still emerging and it will be some time before we know exactly what will happen we need to start considering how we can help a number of our communities, businesses and partners to mitigate potential risks. We also need to consider the potential impact on business confidence in the Borough, together with the Council itself as a business and its funding.

3. Alternative Options

- 3.1 It is still unclear how the decision will affect business, communities and the Council and the alternative option is to defer any planning, however that could increase our risks further.

4. Supporting Information

- 4.1 The outcome of the referendum was a vote to leave the European Union. At the moment it is unclear what the impact will be or the timescales for implementation. While there is still much to emerge we are already seeing a level of uncertainty in the financial markets.
- 4.2 There are already a number of sources that are trying to make predictions but these are often contradictory. For example some sources suggest a rise in interest rates, others a reduction. Some businesses will benefit from a lower exchange rate while others will see their costs increase. Certain organisations in Colchester including the Council receive

EU funding for specific projects. This will cease over the next two years but what, if anything will replace those funding opportunities.

5. Proposals

- 5.1 We need to consider how we help various communities mitigate the potential impact of the decision. There are a number of sectors where risk will have increased:
- Business – an increased level of uncertainty
 - House Building – uncertainty about what may happen to house prices
 - Education – in particular the University whose student base is drawn from having a number of students from the EU and are partway through a major investment period.
 - Residents from the European Union who will be unclear of the impact
 - Organisations that were due to receive European Union funding or have European funding bids in the pipeline for projects which benefit the borough and its residents.

6. Strategic Plan References

- 6.1 A number of our Strategic Plan objectives could be impacted:
- Thriving – attracting business and selling Colchester as a destination
 - Prosperous – generating opportunities for growth and supporting infrastructure
 - Welcoming – a place where people can grow and be proud to live

7. Business Sector

- 7.1 The Colchester economy has a proven track record of resilience which enabled it to weather well the 2008 recession compared to other locations. The fundamentals of that economic resilience have subsequently been strengthened by significant investment, business creation and business growth across the Borough. This legacy will help Colchester businesses to meet the challenges and benefit from any opportunities arising from the decision to leave the EU.
- 7.2 The GVA (gross value added) measure of goods and services produced in the Borough point to an increase (in £ millions) from 3,410m in 2014 to 3,493m in 2015. This growth was expected to continue to 2021 with a predicted forecast of 4,057m. This indicates a significant healthy base of economic growth in the Borough and it is to be hoped that this will help the Borough ride any negative economic impacts coming from the decision.
- 7.3 From 2010 to 2015 the number of businesses (* businesses with an annual taxable turnover of at least £83,000) has increased by 7% from 7,380 to 7,905. 83% of businesses are micro businesses, 14% were small employing between 10 to 49 and only 6% are medium employing over 50. In addition the number of self-employed in the Borough increased from 12,700 in 2014 to 15,800 in 2015 – an increase of 19.2%. So it can be seen that the Colchester economy and its growth is primarily based on small enterprises which are vulnerable to changes to their individual markets. Much of the concern is how these smaller firms will be affected by changes within the EU trading environment.
- 7.4 Colchester has been undergoing a '£3bn' transformation regenerating a number of areas around the Borough bringing new housing, creating new jobs, new culture and leisure experiences and new opportunities for investment. However it is uncertain how the uncertainty caused by the EU decision will affect any planned investment in our Borough. Some large investments which private sector investors could be considering for

Colchester may be delayed or put in abeyance. This could potentially affect the growth trajectory for the Borough over the coming years. We will look to monitor housing investment and house development as we know Colchester has a continuing need to build more houses for future generations.

- 7.5 Colchester is a strategic location for business and has been one of the high growth hotspots in Essex. Independent research shows that Colchester is ranked 51st (out of 433) for high growth and economic performance. The EU is the major trading partner for the East of England, accounting for 56% of the region's goods exports. The latest figures for 2015 shows the value of exports from the East of England to the EU was £11.4 billion. One particular economic strength of the Colchester business base is the University of Essex, one of the World's top 2% of Universities contributing £259m to the local economy. The development of the Knowledge Gateway is seen as perhaps the single biggest economic opportunity for our Borough. However this itself is dependent on a vibrant and prosperous University. The University currently takes a significant number of students, postgrads, researchers and lecturers from the EU. It is vital that this relationship is maintained. The University will be seeking to protect its attractiveness to students across the world and some of those factors will be controlled by the University, but others will depend on international financial and political matters which will change as a result of the UK leaving the EU.
- 7.6 The Colchester Economic Growth Strategy 2015 to 2021 sets out clear priorities for a buoyant, resilient and diverse economy. These include job creation, increasing skills and retaining talent, creating and supporting business, improving infrastructure and securing inward investment and funding. The delivery of the strategy focuses on the employment sectors best placed to drive economic growth such as creative and digital industries.
- 7.7 Colchester has benefitted from a mix of investment and funding. This includes both public sector investment such as the Creative Business Centre (£2.6m) and private sector investment such as the Fenwick's refurbishment (£38m). In the past five years 550,000 euros of EU funding has been secured to deliver the SU Ports, Transcoast and the Creative Urban Renewal in Europe (CURE) projects. Whilst it is currently assumed current EU funding will be honoured for the next two years it is, however, also the case that new funding relying on us finding EU partners is likely to stop virtually immediately. We will also be talking with our LEP (Local Enterprise Partnership) which is currently the point of access to Millions of euros of EU funding over this coming couple of years to understand which programmes will continue to run and over what timescales.
- 7.8 In 2009 Colchester Borough Council successfully worked with public and private sector partners to deliver support and assistance to local businesses experiencing difficulties. These included business surgeries, business mentors and debt counselling. We have already started horizon scanning to understand the extent to which we would need to consider bespoke arrangements if necessary but at this stage it is considered the strength of the Borough Business base is that it should be able to withstand short term fluctuations in markets. Beyond that the Council, with its other economic development partners including Essex County Council, Haven Gateway Partnership and the South East Local Enterprise Partnership stands ready to support further businesses and the business sector should leaving the EU prove to be damaging to our economic prosperity in the longer term.

8. Community Cohesion

- 8.1 The Borough of Colchester has a proud history and tradition of being a welcoming place and one which is inclusive in its approach and its support for vulnerable and persecuted people.

- 8.2 We have seen a rise nationally in racial tension and of race hatred in isolated instances. The Borough Council condemns such behaviour and will look to ensure that our policies and our actions are ones of promoting community cohesion and racial harmony. We will look to work with our partners in promoting social cohesion and making all of our residents and the contributions they make to our society irrespective of their nationality and their country of origin ones to celebrate. EU residents are an integral part of the Colchester community and will be respected for their role and contribution to life in the borough.

9. Consultation

- 9.1 N/A

10. Publicity Considerations

- 10.1 It is likely that our business communities will want to be reassured that we are planning ahead to consider how we try to help mitigate any emerging impacts of the decision to leave the EU.

11. Financial implications

- 11.1 We have a strong record in budget management within the Council and will continue to look for opportunities to increase income and deliver efficiencies. However, lower rates of Council Tax and Business Rate collection could be the result of the predicted levels of economic growth failing to materialise. This coupled with higher payments on Council Tax support payments would also have an adverse effect on the Council's financial position. While we do not yet know the potential impact on the Council and its finances there are some risks which we will both monitor and actively manage so that we can continue to deliver the range and quality of services to our residents and businesses.

12. Equality, Diversity and Human Rights implications

- 12.1 As has been stated earlier there are growing reports of an increase in racist incidents across the country and we know we have some communities from the EU. We need to support these communities as any impact for them emerges.

13. Community Safety Implications

- 13.1 The decision to leave the EU may increase community tension between different community sectors in Colchester which the police, councils and community groups must take action to reduce or prevent.

14. Health and Safety Implications

- 14.1 N/A

15. Risk Management Implications

- 15.1 There are a number of risks that are starting to emerge and others that are still unclear. In particular we know that the economic markets are unsettled by change and this could impact on our economic prosperity and the Council finances.
- 15.2 We are increasingly funded by Government from the New Homes Bonus and retention of part of the business rates rather than a block Government grant. If we see a decline in

house building and/or reduction in business growth then we could face increased budget pressures.