
Report To:	Environment and Regeneration Committee	Date:	7 March 2019
Report By:	Corporate Director Environment, Regeneration and Resources	Report No:	ENV018/19/MM
Contact Officer:	Martin McNab	Contact No:	01475 714246
Subject:	Withdrawal From the European Union		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise the Committee on actions taken to mitigate the potential risks arising from EU withdrawal including a 'no deal' Brexit and to provide an update on the Council's response to the Audit Scotland report "Withdrawal from the European Union – Key audit issues for the Scottish public sector".

2.0 SUMMARY

- 2.1 Inverclyde Council has taken a number of actions as detailed in section 5.0 of this report to prepare and plan for a potential 'no deal' Brexit. These have included regular meetings to consider the risks to Inverclyde arising from the reasonable worst case scenarios detailed in the Scottish and UK planning assumptions for such an event.
- 2.2 Separately Audit Scotland has posed a number of key questions for Scottish public bodies to address as part of their planning for withdrawal from the EU. These, together with the current position in Inverclyde, are detailed in sections 6, 7 and 8 of this report.

3.0 RECOMMENDATION

- 3.1 That Members note the contents of this report.

4.0 BACKGROUND

- 4.1 Preparations are ongoing both within Inverclyde and with multi-agency partners in planning for the possibility of a 'no deal' Brexit. These preparations are centred around consideration of the likely impact of reasonable worst case scenarios (RWCS) as outlined in both the Scottish and UK planning assumptions for a 'no deal' Brexit. Although such an event will undoubtedly have an impact the majority of the RWCS cover issues which will not necessarily impact directly on Inverclyde at least in the short term period post Brexit. There may however be secondary impacts as partners' resources are directed elsewhere to deal with matters arising from some of the areas covered by the RWCS.
- 4.2 Audit Scotland produced a report on this issue in October 2018 called "Withdrawal from the European Union – Key audit issues for the Scottish public sector". This report poses a number of key questions for Scottish public authorities to answer on preparedness for EU withdrawal both in a 'no deal' and more orderly scenario. The questions are under three headings, People, Finance and Rules and Regulations. The current Inverclyde position is noted in sections 6-8 below.

5.0 PLANNING FOR A 'NO DEAL' EXIT

- 5.1 Significant planning has taken place to deal with the possibility of a 'no deal' Brexit in Inverclyde. The Corporate Director Environment, Regeneration & Resources is the Strategic Lead in the Council for Brexit contingency planning and the Head of Environmental and Public Protection is the Tactical Lead. A 'no deal' Brexit is identified as a risk both corporately and in relevant service risk registers and is a regular item on the CMT agenda.
- 5.2 The Council's Resilience Management Team (CRMT) was recognised as the appropriate group to take forward planning for a 'no deal' Brexit and it has met regularly to discuss and address issues raised by the UK and Scottish Planning Assumptions for a 'no deal' Brexit. These are based upon a "Reasonable Worst Case Scenario" and the CRMT has considered each and the implications for Inverclyde.
- 5.3 The Council has been represented at a number of external meetings and events to discuss 'no deal' Brexit planning including a COSLA Seminar, a West of Scotland Regional Resilience Partnership (WoS RRP) event and sector specific workshops including one for Health and Social Care. In addition to this the Council is sighted on regular updates from the Scottish Resilience Partnership (SRP) sub group on EU Exit Contingency Planning.
- 5.4 The CRMT will continue to meet in the run up to a possible 'no deal' EU Exit and will provide updates through the Local Resilience Partnership to the SRP sub-group on any emerging issues.

6.0 AUDIT SCOTLAND PREPAREDNESS - PEOPLE

- 6.1 The questions below and in the subsequent sections are from the Audit Scotland Report on Withdrawal from the European Union – Key audit issues for the Scottish public sector and the answers relate to the current position in Inverclyde.
- 6.2 *How are we communicating with staff about the potential impact of EU withdrawal and preparing to support any employees who may be affected?*

There are a relatively small number of EU nationals employed by Inverclyde Council. They have been communicated with regarding their options both by information posted on ICON and directly and support has been provided to those individuals by HR. An information page on withdrawal from the EU is on the Council's website.

- 6.3 *How are we reflecting the implications of EU withdrawal in our long-term workforce planning?*

We are engaging with other local authorities to ensure best practice and attending Home Office meetings. Compared to surrounding LA's (for example Glasgow) we have relatively small number of employees that will be affected so in terms of long term planning the risks are lower in terms of

turnover and potential to fill vacancies. Service workforce and succession plans are in place which have considered the potential impact of Brexit.

6.4 *What are the workforce implications for the third sector and private organisations that provide services in partnership with us or on our behalf?*

CVS Inverclyde has coordinated planning work in this area and identified the following issues:

Employment – no significant recruitment / skills challenges were identified associated with Brexit. Most of the sector's staff are entry to middle-skilled and local residents.

Demand – the main risks are around the economic impact to the overall economy of a 'no deal' Brexit. This could include more people in poverty / unemployed / not getting services from public sector. In particular if NHS struggle to recruit medical staff there may be implications for people using third sector services in lieu of the medical intervention they are waiting for.

Costs - there is obviously uncertainty around some of the other costs third sector organisations have (energy, taxation, equipment, premises) - most organisations have cut costs already over last 10 years - their ability to absorb cost increases or create more savings to offset lost income is low.

6.5 *Which parts of the workforce (sectors/skills/services/regions) are most at risk from the impact of EU withdrawal?*

No particular parts of the local workforce are identified as risks beyond the risks of a general economic slowdown.

6.6 *How are we reflecting the implications for the local workforce in our economic strategies?*

We are engaging with other local authorities to ensure best practice. Compared to surrounding LA's (for example Glasgow) we have a relatively small number of employees that will be affected so in terms of long term planning the risks are lower in terms of turnover, potential to fill vacancies. Service workforce and succession plans are in place which have considered the potential impact of Brexit.

7.0 AUDIT SCOTLAND PREPAREDNESS - FINANCE

7.1 *What level of funding do we, and our partners, receive from the EU and through which funding streams?*

The main funding streams to Inverclyde from Europe are currently from the European Social Fund (ESF) currently Inverclyde receives approximately £600K per annum from this funding stream of which £215K comes direct to the Council and £380K to partners. In addition to this the agriculture sector receives funding through the CAP and there is some funding through LEADER for rural areas.

7.2 *What financial risks are associated with any changes after the UK has left the EU, during any transition period and beyond?*

There are obviously risks should the ESF funding cease and not be replaced by the equivalent through Scottish or UK funding. There may be an impact on partners' direct funding - withdrawal of European funding is significant for a relatively small number of organisations. What UK / Scottish / local government does in terms of replacing this is important. Around 5% of the voluntary sector's employees are paid by European funding.

For the third sector indirect funding is probably more significant for most of the sector. If the economic situation worsens then there may be less money available. Equally those organisations that are European funded are likely to end up competing for remaining resources.

There are risks to both the Council and partners of an increase in demand. A general economic slow-down or reduction in funding could easily result in a rise in poverty and consequent impact

on demand for services.

There could additionally be an impact from an increase in costs resulting from Brexit, and in particular a 'no deal' Brexit.

7.3 How are we reflecting the implications of EU withdrawal in our long-term financial planning?

Long term financial planning takes account of a number of economic risks and the potential for an economic slow-down or funding reduction of which leaving the EU whether with or without a deal is one possible cause.

7.4 How can we capitalise on opportunities to access alternative funds or redesign replacement funding streams?

At the point of writing there is still too much uncertainty over the likely shape of any EU Exit to address this issue in detail.

8.0 AUDIT SCOTLAND PREPAREDNESS – RULES AND REGULATIONS

8.1 What are the potential implications of changes to trade and customs rules to our supply chains and the cost and availability of products and services?

The issue of the availability of products and services is very much dependent on the basis under which the UK withdraws from the EU. What can be said at this stage is that the immediate risks of a worst case scenario 'no deal' Brexit have been considered in detail by the Council's CRMT as detailed in Section 5 above. Beyond this there will undoubtedly be risks of cost increases for both goods and services however the level and extent of these cannot be quantified until the nature of withdrawal is known. The work of Scotland Excel should be noted in this respect. Scotland Excel has done significant work on supply chains evaluation to ensure continuity of supplies post Brexit.

8.2 What EU regulations/legislation are directly relevant to our role (e.g., monitoring compliance)?

The principal regulations which may have an effect on both our regulatory function are those around environmental protection, food safety, product safety and consumer rights. A close watch is being kept on developments around these areas.

Aside from regulatory services the biggest impact for the Council may be through changes to procurement rules.

8.3 What impact would potential changes to regulations/legislation have on how we deliver services and our service users?

At this stage we are not envisaging significant issues in the short term in Inverclyde. The main emerging regulatory issues are around export certification which will have an enormous impact on some authorities but not at this stage Inverclyde. There may be demand from some areas for mutual aid or support however and recruitment of Environmental Health Officers and Trading Standards Officers could be significantly more challenging.

At this stage there are no indications that there are likely to be changes to the range of goods imported through Greenock Ocean Terminal but there could be medium to long term implications for Environmental Health and Trading Standards should there be any developments in this area.

8.4 How can we capitalise on opportunities to streamline or improve the regulatory environment?

At this stage there are too many uncertainties around the likely changes to identify specific opportunities. We will however be monitoring this closely.

8.5 How are we planning for the possibility that the UK Government and the EU fail to reach an agreement on arrangements for the UK's exit from the EU?

This is covered in section 5 above.

9.0 IMPLICATIONS

9.1 Finance

There are no immediate financial implications arising from this report.

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/(savings)

Cost Centre	Budget Heading	With effect from	Annual net impact £000	Virement From	Other Comments
N/A					

9.2 Legal

There are no immediate legal issues arising from this report.

9.3 Human Resources

The issues for HR are detailed in Section 6 above.

9.4 Equalities

Has an Equality Impact Assessment been carried out?

	YES (see attached appendix)
X	NO - This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

9.5 Repopulation

There are no impacts on repopulation arising from this report.

10.0 CONSULTATIONS

10.1 The Chief Financial Officer and the Head of Regeneration and Planning have been consulted on this report.

11.0 BACKGROUND PAPERS

11.1 None