
Report To:	Inverclyde Council	Date:	3 December 2020
Report By:	Corporate Director Environment, Regeneration and Resources	Report No:	IC/06/20/MM
Contact Officer:	Martin McNab	Contact No:	01475 714246
Subject:	Withdrawal from the European Union - Update		

1.0 PURPOSE

1.1 The purpose of this report is to update the Council on the current risks arising from the UK's withdrawal from the European Union.

2.0 SUMMARY

2.1 Members will be aware that the UK formally withdrew from the European Union at the end of January this year. Since then negotiations have been ongoing between the UK and the EU on a future trade deal. The UK is subject to transitional arrangements up until December 31 this year.

2.2 If a deal is not reached, the transitional arrangements will end and the UK will be trading with the EU on World Trade Organisation (WTO) terms.

2.3 The Council's Crisis & Resilience Management Team (CRMT) met on 9 November to consider the risks arising from a no-deal EU Exit and update the risk register. It had been hoped at that meeting that we would be in a position where we had a definitive answer regarding the status of negotiations. By this point however, this remains unknown at the time of writing.

3.0 RECOMMENDATION

3.1 That Members note the contents of this report.

3.2 That a report is brought back to the February 2021 meeting of Inverclyde Council updating on the short-term outcome of withdrawal.

4.0 BACKGROUND

- 4.1 The UK formally left the EU at 11 pm on 31 January 2020. Since then however the UK has been subject to transitional arrangements maintaining the status quo while negotiations proceed on a future trade agreement. These transitional arrangements end on 31 December 2020 following which, if a deal has not been concluded, the UK will revert to dealing with the EU on World Trade Organisation (WTO) terms.
- 4.2 In the run up to the various EU withdrawal deadlines in 2019, a risk register was produced outlining the risks of a “no-deal Brexit” to Inverclyde. Officers have reviewed this and are confident that the individual risks identified remain valid. Obviously these have since been overlain by the impacts of COVID-19 which will have an effect on the overall resilience of communities and the economy. The current Risk Register is attached at Appendix 1.
- 4.3 Members will also recall that the Scottish Government produced an assessment of Local Level Brexit Vulnerabilities in October 2020. At the time, 35 of the 114 data zones in Inverclyde featured in Decile 1 to 3 of the vulnerability rankings, mainly on the basis of income deprivation. Obviously since this was produced, the SIMD data has been updated together with the COVID-19 pandemic. There have been no new assessments since the October study.

5.0 PLANNING FOR A NO DEAL SCENARIO

- 5.1 Planning continues both within Inverclyde and nationally to deal with the possibility of a ‘no deal’ Brexit. The corporate arrangements for this remain as previously reported to the Committee.
- 5.2 The Council’s Resilience Management Team (CRMT) met in November 2020 and considered the Council’s risk assessment for a no-deal scenario. In general the risks were found to be little changed from those pertaining in 2019 however they are clearly now overlain with the impact of the Covid-19 pandemic. Workshops have been held with other authorities in the Joint Civil Contingencies arrangements to look at the impact of a no-deal EU exit occurring concurrently with the ongoing pandemic response.
- 5.3 The process of planning across Scotland has obviously been affected by the ongoing process of negotiations. At the time of writing this report, we are still awaiting the updated EU Exit Contingency Plan. This situation obviously affects planning for either a No-deal EU Exit or an exit with a limited deal and is obviously complicated further by the need to plan for concurrent risks.
- 5.4 Members may be aware of current issues around the replacement of EU programmes between the Scottish Government and the UK Government. These programmes were previously funded on a seven year basis to allow long-term planning. At this stage there is a lack of clarity on funding periods for replacement programmes such as the Shared Prosperity Fund, obviously complicated by the Chancellor’s one year funding review. There is also an issue around subsidiarity with concerns from the Scottish Government that previously devolved funding programmes will now be managed at a UK level. A letter from the Scottish Cabinet Secretary for Finance to the Chancellor of the Exchequer is attached at Appendix 2.

6.0 IMPLICATIONS

6.1 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					

6.2 Legal

There are no immediate legal issues arising from this report.

6.3 Human Resources

There are no immediate HR issues arising from this report.

6.4 Equalities

(a) 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.

(b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

	YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
X	NO

(c) Data Protection

Has a Data Protection Impact Assessment been carried out?

	YES – This report involves data processing which may result in a high risk to the rights and freedoms of individuals.
X	NO

6.5 Repopulation

There are no impacts on repopulation arising from this report.

7.0 CONSULTATIONS

7.1 The Corporate Management Team has considered this report and the current risk register.

8.0 BACKGROUND PAPERS

8.1 Withdrawal From the European Union, Environment & Regeneration Committee March 2018
ENV018/19/MM

Withdrawal from the European Union - Update, Environment and Regeneration Committee
August 2019 ENV043/19/MM

Withdrawal from the European Union - Update, Environment and Regeneration Committee 17
October 2019 ENV050/19/MM

Withdrawal from the European Union - Update, Environment and Regeneration Committee 31
October 2019 ENV049/19/MM

Withdrawal from the European Union - Update, Environment and Regeneration Committee
January 2020 ENV009/20/SA/MM

Withdrawal from the European Union - Update, Environment and Regeneration Committee
August 2020 ENV025/20/MM

1	Disruption of Services	<p>The risk that there will not be an overall shortage of food in the UK but it is likely there will be a reduction in choice due to border and supply chain disruption. Certain types of fresh food supply will decrease. This may lead to an increase in price. Whilst it is felt that the assumption regarding overall food supply holds true across the UK it is possible that the reduction in choice, particularly for perishable products, may be more marked the further north the end point for distribution lies. The UK growing season has come to an end and the Agri-food chain is already strained as a result of COVID-19. There is a risk that customer behaviour will cause or exacerbate food supply disruption.</p>	Y	<p>Potential issue with supplies to schools and care homes. May result in reduction in choice. Early indications were that in the event of shortages that the nutritional standards in the Food and Drink in Schools (Scotland) Regulations might not be enforced in the event of a no deal EU Exit. The current expectation is now that these standards should be achievable.</p>	3	2	2	6.0	<p>Education Services working to provide assurance that nutritional needs can be met as far as possible through substitution/menu changes. Inverclyde HSCP meeting regularly with local provider organisations to assess areas of perceived or potential risk.</p>	Head of Culture, Communities & Educational Resources	31/03/2021
3	Disruption of Services	<p>The risk is that supply of medicines and medical supplies will be impacted by reduced flow rates across the short Channel straits.</p>	Y	<p>HSCP has identified risks around short supply of prescription only medication (POM)</p>	3	3	1	9.0	<p>The HSCP is linked into both GGC Board planning and through that to a Scottish Government working group. The HSCP has also developed a £300K smoothing reserve for prescribing to build in additional resilience.</p>	Head of Health and Community Care	31/01/2021
6	Scottish Workforce	<p>There will be a significant number of job losses across Scotland due to the loss of market access, increased export costs, or decisions to relocate – this change is unlikely to happen immediately at the point of a no deal.</p>	Y	<p>Risk likely to be across Scotland and will be exacerbated by Covid related job losses</p>	2	4	3	8	<p>Likelihood increased as a result of concurrent Covid issues.</p>	Head of Regeneration & Planning	31/03/2021

13	Travel, Freight and Borders	N/A	Y	Consideration must be given to the potential risk of displacement of freight traffic to Greenock Ocean Terminal. This would primarily be a regulatory risk as it is unlikely that Public Protection would have the capacity in either Trading Standards or Environmental Health to deal with this. It should be noted that at present the bulk of activity at GOT is export rather than import.	2	3	2	6	We are aware that options to increase capacity including the set up of a customs shed at GOT are under consideration. Should traffic increase greater capacity might be required in EH & TS. Potential plans around seafood at Inchgreen could also create significant additional demand.	Head of Public Protection & Covid Recovery	Peel Ports have undertaken to keep the Council apprised of developments and have also captured these elements in their planning.	31/01/2021
17	Travel, Freight and Borders	The risk is that creation of Freeports elsewhere in the UK might divert traffic away from the City Region owing to favourable tax and customs regimes in place.	Y	Currently we are aware of seven potential applications in England for Freeport status. The Scottish Government is currently carrying out a survey to assess attitudes to the concept in Scotland.	3	2	3	6	Report to special meeting of Environment & Regeneration Committee 17/12/2021	Head of Regeneration & Planning		17/12/2020
7	Demonstrations and Disorder	Any risks likely to be centred around large population centres (Glasgow, Dundee, Edinburgh and Aberdeen) or impact on Police Scotland by mutual aid requests.	Y	Local impact if any will be likely to relate to reduction in police resource due to staff being redeployed elsewhere.	2	2	4	4	No change to previous assessment	Head of Public Protection & Covid Response.	Will keep under review	31/01/2021
8	Scottish Workforce	There could be a shortage of highly skilled workers in certain professions which currently rely on migrant workers – e.g. education and healthcare; public health veterinarians. While there will be no changes to the free movement of labour until the UK Government introduce new migration legislation, we do expect to see further pressures in areas that are already experiencing recruitment challenges.	Y	Not a Council risk but could be an issue for GG & C HB Acute sector. Any impacts likely to be exacerbated by Covid 19	2	2	4	4.0	Consideration has been given to this risk but the exposure in Inverclyde is expected to be minimal.	Head of Strategy & Support Services HSCP	HSCP to keep abreast of any issues	31/03/2021

9	Travel, Freight and Borders	Congestion at the short Channel straits crossing may lead to delays in the export of time sensitive and economically important goods such as fresh seafood. This could also result in animal welfare issues in the transport of livestock.	N	Not a local risk. May be a mutual aid issue with other local authorities however and risk assessed on that basis.	1	2	2	2	Impact reduced as a result of planning for export hubs	Head of Public Protection & Covid Recovery	Will keep abreast of national picture and situation with neighbouring authorities.	31/01/2021
10	Disruption of Services	Potential that any disruption to reduce, delay or stop supply of medicines for UK veterinary use would impact the UK's ability to prevent and control disease outbreaks, with potential impacts for animal health and welfare, the environment, and wider food safety/availability and zoonotic diseases which can impact human health.	Y	Local implications would be as a result of national issue.	1	3	3	3	Nationally a high confidence in supply chain planning	Head of Public Protection & Covid Recovery	EH & TS will keep a watching brief with Health & Veterinary partners. If issues do arise they are likely to be downstream in time.	31/03/2021
11	Travel, Freight and Borders	Reduction in capacity on the short Channel straits crossing - resulting in delay to the distribution of goods to Scotland. This would have residual consequences for a range of sectors that rely on just-in-time delivery of crucial supplies such as medicines and medical supplies, animal feed, and food ingredients.	Y	General food & medicines risk covered by linked disruption of services risks. In terms of food ingredients there may be a risk to local manufacturers.	1	2	4	2	Initial contact with local manufacturers in 2019 to check preparedness. Recently reviewed.	Head of Regeneration & Planning		31/03/2021
12	Information & Data Sharing	Potential issues with flow of data between UK & EU	Y	Potential issues with data sharing with respect to food & feed safety and in respect of product safety. Indications are that UK will still have access to European alert systems but this is by no means guaranteed.	2	1	4	2	Council has responded to requests nationally regarding any vulnerabilities to issues around data sharing.	Head of Public Protection & Covid Recovery	Will need to assess impact on an ongoing basis.	31/03/2021
2	Disruption of Services	The risk is that regional traffic disruption caused by border delays could affect fuel distribution. Customer behaviour could then exacerbate any localised shortages. The most significant single risk is fuel supply to London and parts of the South-East.	N	At present indications are that this would be as risk in the South East with a low risk of it extending to Scotland.	1	3	2	3	IC has significantly greater fuel reserves (diesel) than was the case previously. Currently we have 2.5-3 months supply of diesel.	Head of Public Protection & Covid Recovery	Situation will be kept under review	31/01/2021

Travel, Freight and Borders	UK citizens travelling to and from the EU will be subject to increased immigration checks at EU border posts. Dependent on the plans EU member states put in place to cope with these increased immigration checks it is likely that delays will occur for UK arrivals and departures at EU airports and ports. This could cause some disruption on transport services and travellers may decide to use alternative routes.	N	Not a local risk. Cruise ship traffic which has not previously docked at a UK port very rare (at most one per year on transatlantic relocation). These are generally from outwith the EU therefore no change is foreseen. This risk is included for information.	0	0	N/A	N/A	31/03/2021
Interpreting the Risk Map								
<p>Requires active management.</p> <p>High impact/high likelihood: risk requires active management to manage down and (16-25)</p> <p>Contingency plans.</p> <p>A robust contingency plan may suffice together with early warning mechanism (10-15)</p> <p>Good Housekeeping.</p> <p>Some risk mitigation to reduce likelihood if this can be done cost effectively, but good housekeeping to ensure the impact is (5-9)</p> <p>Review periodically.</p> <p>Risks are unlikely to require mitigating actions but status should be reviewed frequently (1-4)</p>								

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Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
1 Horse Guards Road
London
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23 November 2020

Dear Rishi,

Ahead of the UK Government's Spending Review announcement on 25 November, I would like to put on record the Scottish Government's serious concerns in relation to the replacement of EU programmes funding.

I echo my Welsh counterpart's disappointment that the Chief Secretary to the Treasury's letter of 13 October did not address our concerns about the way in which the UK Government is proposing to replace EU funding, with insufficient consideration of Devolved Administration (DA) views.

We have been clear and consistent in our position that we expect full replacement of EU funds from the end of December to ensure no detriment to Scotland's finances, and we expect the UK Government to fully respect the devolution settlement in any future arrangements. This is in line with promises made during, and following, the EU referendum campaign, that Scotland would not be worse off as a result of EU Exit.

I am deeply concerned that I am yet to see any evidence that the UK Government are committed to replacing EU funding in full. A clear example of EU funding not being replaced in full is rural support. A paper shared between Her Majesty's Treasury (HMT) and DA Finance officials on 25 September set out the proposal to replace Common Agricultural Policy funding, purportedly meeting the 2019 Conservative manifesto commitment to *guarantee the current annual budget to farmers in every year of the next Parliament*. This funding, as I set out with Fergus Ewing MSP in our letter of 23 October, fails to meet our expectations and in several areas brings us short of what is required to match lost EU funding.

Another key concern is the continued lack of engagement my officials have had, where in some cases Whitehall Departments even in recent days continue to refuse to share information crucial to our own preparations.

Tha Ministearan na h-Alba, an luchd-comhairleachaidh sònraichte agus an Rùnaire Maireannach fo chumhachan Achd Coiteachaidh (Alba) 2016. Faicibh www.lobbying.scot

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

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The lack of meaningful engagement has been evident across a number of programmes including fisheries, structural funds, and competitive programmes such as Erasmus Plus and Horizon Europe.

On fisheries, my officials continue to wait for sight of a paper from HMT that was promised in late September. Contrary to early discussions with Defra, HMT have indicated that the replacement for EU funding will not be available immediately following the end of the Transition Period, leaving a gap from January to March 2021. It is our understanding that the UK Government's commitment was to meet the multi-year replacement of the European Maritime and Fisheries Fund. Such funding will be available to support competing seafood businesses, the marine environment and coastal communities within the EU. It is therefore crucial that the UK Government provides the necessary multi-year funding from the start of 2021 and this should not be offset against any financial compensation that may form part of a fisheries agreement with the EU that is currently being negotiated.

In relation to structural funds, the UK Government's proposed Shared Prosperity Fund (SPF) is set to replace European Structural Funds post-EU Exit, however we are just over a month away from the end of the Transition Period and the UK Government has failed to meaningfully engage with us. As you know, regional economic development policy is a matter of devolved competence. As a result, we have consulted with our stakeholders to develop concrete proposals on how future funding for this purpose should be deployed. The delays and lack of clarity threaten years of hard work we have undertaken with stakeholders across Scotland to develop new arrangements. It also runs the real risk of undermining our efforts to support economic development in Scotland.

We published Scotland's position on the replacement for structural funding earlier this month. In the past these have been funded by a 7-year European Multiannual Financial Framework. The structural funding, including European Territorial Cooperation, must be replaced in full in regards to funding, scope and governance. Funding should be spread over a duration of at least five years to enable recipients of these valuable funding streams to achieve any real impact.

On competitive programmes, our very strong preference is to continue fully funded participation in EU programmes. We are very concerned that, on programmes that relate to devolved interests, UK Government is currently assessing the VFM case for participation with no involvement from Devolved Governments. The lack of funding clarity and engagement also continues to be evident across the work on potential replacements of competitive programmes. One of several examples of this is in relation to the proposed replacement scheme for Erasmus Plus, currently being developed by Department for Education (DfE) officials. My colleague Richard Lochhead MSP wrote to Michelle Donelan MP on 17 September, giving conditional consent to the DfE proposal, with several caveats. None of the concerns raised have since been addressed, and the separation of the business case for the scheme into the preferred options of HMT, DfE, and then the DAs, implies a pre-judged outcome for this process; namely that HMT's preferred option will be chosen, or at least a scenario that falls short of what is required, and was promised, leading to the launch of a deficient, reduced, poorer imitation of Erasmus Plus should negotiations fail.

My concerns are only exacerbated by provisions in the draft Internal Market Bill and the decision to reduce the Spending Review to a single year.

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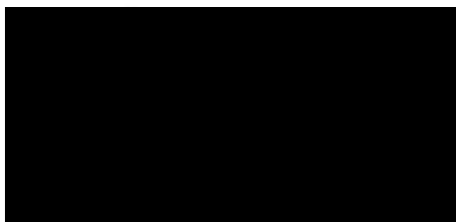
The Internal Market Bill represents a clear assault on our devolved spending powers. The provisions presume Whitehall control over the delivery of EU programme funding replacements in Scotland, which Scottish Ministers have delivered successfully for decades. Any attempt to bypass the Scottish Parliament or Government would be unacceptable. The UK Government have so far offered no explanation on why these powers are required.

Finally, a 1-year Spending Review creates significant planning uncertainties for all programmes after the Transition Period which have been funded by a 7-year European Multiannual Financial Framework in the past, and will be again for the 2021-27 period. This decision moves us further away from an understanding of how the UK Government will meet its manifesto commitments on farming, fisheries and structural funds.

It is vital that the UK Government meets its commitment to fully replace EU funding streams and engage meaningfully with the Devolved Administrations to ensure that any decisions fully respect the devolution settlement. I join Rebecca Evans in seeking your commitment to work with the Devolved Administrations to strengthen co-operation across our four nations on areas of shared interest and to ensure the post-EU UK fiscal arrangements operate transparently and in a way that is fair to all parts of the United Kingdom.

I have outlined a number of concerns above and I would welcome your response to these as a matter of urgency, especially where the Spending Review does not address them in full.

I am copying this letter to the Cabinet Secretary for Constitution, Europe and External Affairs, the Welsh Minister for Finance and Trefnydd, and the Northern Ireland Minister of Finance.



KATE FORBES

Tha Ministearan na h-Alba, an luchd-comhairleachaidh sònraichte agus an Rùnaire Maireannach fo chumhachan Achd Coiteachaidh (Alba) 2016. Faicibh www.lobbying.scot

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