

To: Audit, Risk and Scrutiny Board

On: 16 March 2020

Report by: Chief Executive

Heading: Audit Scotland – “Preparing for withdrawal from the European Union”

1. Summary

- 1.1 Audit Scotland has published a briefing paper focusing on how the Scottish public sector has been preparing for European Union (EU) withdrawal. The briefing builds on the paper “Withdrawal from The European Union” that was published in October 2018. A copy of the latest briefing is attached at Appendix 2.
- 1.2 The briefing “Preparing for withdrawal from the European Union” draws on Audit Scotland’s work, knowledge of the Scottish public sector, published material and engagement with key stakeholders over the last 18 months.
- 1.3 It highlights key messages, provides illustrations of the impact that preparing for withdrawal from the EU has had on public bodies and suggests questions for public bodies to ask themselves about their ongoing preparations for EU withdrawal.
- 1.4 An outline of Council activity relating to each of the questions is included in Appendix 1. Members will also be aware from previous council papers of the range of mitigating actions that have already been identified and put in place. These measures are monitored and updated as the national position in relation to EU withdrawal develops.

2. Recommendations

- 2.1 Members are requested to note:
 - Audit Scotland’s key questions for public bodies attached in Appendix 1, and;

- the activities being undertaken by council officers to prepare appropriately for EU withdrawal and the transition period, which are also noted in Appendix 1.

3. Background

- 3.1 Following the general election on 12 December 2019, the UK left the EU on 31 January 2020. There remains considerable uncertainty about the longer-term implications of withdrawal from the EU.

4. Key findings

- 4.1 The key findings within the report are summarised as follows:
- While there are good examples of effective joint working, Audit Scotland notes that preparing for Brexit has impacted “the Scottish Government’s relationships with the UK Government over the last 18 months”.
 - Preparations for leaving the EU required management attention and resources across the Scottish public sector during 2019.
 - The economic effect of EU withdrawal will depend on the final nature of any trade deals agreed between the UK Government and the EU.
 - Scotland’s working-age population is in decline and there is a risk that a reduction in the number of EU nationals able to work in Scotland may exacerbate these pressures.
 - The public sector is already facing workforce and service pressures that will likely intensify as the working-age population decreases.
 - Sectors including health, social care and teaching are experiencing workforce pressures and increased demand for services.
 - Financial pressure currently being experienced by the public sector could be intensified by EU withdrawal in the immediate and longer term.
 - Public bodies and councils have identified potential increases in the cost of goods as the most immediate risk to their financial sustainability.
 - In the event of the UK being subject of additional customs checks and trade tariffs, restrictions on the supply to goods such as food, medicines, medical equipment and fuel have the potential to affect people receiving public services.
 - Any increase in the price of goods will also affect public-sector budgets and could mean increased costs for service users.

5. Case Studies

- 5.1 The report details four case studies. These can be summarised as follows:
- **Case Study 1: Continuity of medicines and other medical supplies** - The UK Government’s Department of Health and Social Care has engaged with the pharmaceutical industry to coordinate the availability of medicines across the UK. The Scottish Government is a member of the UK Medicines Shortage Response Group and established an equivalent Scottish group to work with the UK group in identifying, assessing and responding to any shortages of medicines. NHS National Services Scotland (NSS) has been ensuring adequate stores of medical

devices and clinical supplies on the direction of the Scottish Government. NSS also acts as a liaison between NHS Scotland and the UK-wide National Supply Disruption Response Centre on contingency planning arrangements for medical supplies.

- **Case Study 2: Continuity of food supplies** - Scotland Excel undertook contingency planning to ensure continuity of food supplies following the UK's departure from the EU. This work involved regular communication with its largest suppliers about the cost and availability of products under different scenarios. Public bodies and councils are involved in a public-sector food group, which has been mapping food supply chains and transport links. The group is engaging regularly with food suppliers to assess risks and monitor contingency planning and has created a resilience plan. Councils have been monitoring developments and working with suppliers and catering providers to establish planning arrangements to deal with potential disruption to food supplies.
- **Case Study 3: Planning for legislative changes in Food Standards Scotland-** FSS started a programme of work in 2016, aimed at protecting consumers following the UK's exit from the EU. Initiatives included:
 - Considering what capability and capacity might be required in Scotland to deliver statutory functions currently administered by EU institutions.
 - Working with UK bodies and government departments to ensure the same level of public protection would be available through legal standards and regulations applicable to food when the UK leaves the EU.
 - Developing UK-wide frameworks to ensure coordination and implementation of functions from EU institutions to the UK.
 - Providing information to consumers and businesses on the implications of EU withdrawal for food law and standards.

The Scottish Government increased the FSS budget allocation for 2018/19 from to reflect the scale of preparations for EU withdrawal.

- **Case Study 4: Financial planning in the Scottish Police Authority** - The SPA's planned reduction in officers has been postponed to allow it to respond to issues relating to EU withdrawal. This includes requirements for Police Scotland officers to provide support at the border and to customs officials, to deal with potential civil unrest, or to support other services in the UK. The delay in reducing officer numbers means the SPA is no longer on track to achieve financial balance by the end of 2020/21. Additional funding was provided by the Scottish Government in 2019/20 to fully fund the 'Brexit operating deficit', creating provision for 400 additional police officers for the full year. However, beyond 2019/20 there is currently no available funding to support the additional officers. While the SPA has taken reasonable steps to prepare for EU withdrawal, medium-term financial planning remains challenging and the planned balanced budget for 2020/21 is now unachievable.

6. Next steps

- 6.1 The report notes the effects of EU withdrawal will influence the Scottish public sector for many years. In addition to addressing any short-term pressures, the report notes that the public sector will also potentially need to adapt to new partnership or trade arrangements, a different economic context, new funding mechanisms and legislation, as well as responding to demographic changes and any subsequent impacts on the public finances.
- 6.2 Given the level of preparedness which has been reached locally, Renfrewshire Council's Brexit Readiness Group has been stepped down with longer-term issues being progressed by the Strategic Brexit Officer Group (SBOG). The Council's SBOG will continue to monitor progress throughout the transition period and engage with COSLA, the Scottish Government and other organisations as appropriate as the nature of the UK's future relationship with the EU becomes clearer.

Implications of the Report

1. **Financial** - Audit Scotland recognises the ongoing financial pressure faced by public bodies, which could be increased further by EU withdrawal, and asks the Council to consider the impacts of EU withdrawal in medium and long-term financial planning.
2. **HR & Organisational Development** - Audit Scotland indicate that these relate to areas of service activity which may require additional staffing resource.
3. **Community/Council Planning** - none
4. **Legal** - none
5. **Property/Assets** - none
6. **Information Technology** - none
7. **Equality and Human Rights** - The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report because it is for noting only. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health and Safety** - none
9. **Procurement** - As outlined in Appendix 1.
10. **Risk** - Brexit preparedness is included in our risk register as outlined in Appendix 1.
11. **Privacy Impact** - none
12. **COSLA Policy Position** - Regular engagement has been undertaken with national groups and organisations and other local authorities through COSLA.
13. **Climate Risk** - none

List of Background Papers

(a) Nil

Author: Nicola Canavan, Chief Executive's Service, 0141 618 4542

Appendix 1

	Key Questions for Public Bodies	Renfrewshire Council Position
1	What have we learned from our preparations to date for the UK's withdrawal from the EU?	<p>As part of our preparations for the potential impacts of Brexit, a Strategic Brexit Officers Group (SBOG) has been established. The SBOG, which sits alongside the Brexit Readiness Working Group, is focused on the strategic risks to the Council and the area. The SBOG has identified employment, the local economy, the Council's own workforce and the potential impact on Renfrewshire's most vulnerable households as key areas of focus for the Council as the UK withdraws from the EU.</p> <p>The Council has allocated funding of £10,000 per year for three years to support Renfrewshire Foodbank to ensure a food supply as part of wider work to support vulnerable households. The Council has also been working with FareShare and the Scottish Government to distribute food, funded by the Scottish Government, to organisations in Renfrewshire. In terms of workforce, the Council continues to engage with and reassure Council employees who are EU nationals as well as working with independent providers of social care services as this has been highlighted nationally as an area potentially vulnerable to workforce issues due to the high number of employees from the EU. The SBOG also monitors the potential impact to Renfrewshire's economy, linking to national trends, pressures and opportunities.</p> <p>The Council has engaged with a wide range of regional and national bodies focused on contingency planning for Brexit, ensuring a multi-agency approach and taking account of the unique characteristics of our area. The Civil Contingencies Team has acted as a conduit for this integrated planning activity. Planning for Brexit continues to be given precedence as a standing agenda item on Council Resilience Management team meetings and wider regional / national groups.</p>

2	Has the extended timescale for EU withdrawal generated any new risks for our organisation?	<p>The extended timescale has not generated any new risks, existing risk will continue to be monitored as the transition period progresses. Both the short- and long-term impacts of Brexit are captured in the Council's risk register and are regularly updated and reported to board. Current risk control measures include:</p> <ul style="list-style-type: none"> • Community Planning Partnership Brexit workshop undertaken and initial CPP risk assessment and action plan established with follow-up sessions arranged • Maintaining a high level of understanding of the current position in relation to EU funding and maximising current benefits
3	How are we ensuring our planning for EU withdrawal is proportionate to the level of risk to our organisation and relative to other business risks?	<ul style="list-style-type: none"> • Maximum drawdown of existing funds identified • Ongoing engagement in development process for new funds (successor to EU funding) • Scotland Excel and Corporate Procurement monitoring Suppliers and markets which may impact the provision of services on ongoing basis • Analysis and ongoing review of the Council's financial position based on independent advice of investments and reserves • Procurement/ budget monitoring for increase in supplier costs
4	Does our medium and long-term financial planning consider the potential impact of EU withdrawal?	<p>Renfrewshire Council develops medium-term financial plans on a three-year rolling basis, with Council approving the most recent Financial Outlook 2020- 2023 report on 26 September 2019. The Financial Outlook notes that longer-term financial planning has been impacted by uncertainty surrounding the outcome of Brexit negotiations and the finalised exit route as well as several other variables. The long-term strategy will therefore be reviewed towards the end of 2020 to ensure it remains appropriately current and informed.</p> <p>The Leadership Board receives regular updates on the Council's preparation for EU withdrawal. The SBOG, chaired by the Director of Finance and Resources, considers the medium to longer-term impacts of EU exit, both in terms of the Council's finances and the local (and national) economy and maintains corporate oversight of the impact of EU withdrawal.</p>

5	Are we continuing to provide effective support for colleagues from elsewhere in the EU?	As reported previously to the Leadership Board, the Council has limited data on the number of EU nationals working within Renfrewshire Council. 74 employees have been identified as being from EU member states. Very few EU employees have required assistance to date with local community groups providing assistance on applying for EU Settlement.
6	Are our workforce planning arrangements reflecting any changes in workforce pressures in our organisation, or that of the organisations and sectors we work with?	<p>Work continues to be undertaken to engage with and provide updates to the Council's workforce and to ensure that those affected know where to go for help and information. A key focus of our engagement to date has been to provide reassurance, signpost to available information and to ensure employees know that support is available. This approach was extended to staff working across the Health and Social Care Partnership.</p> <p>In terms of workforce planning, no issues of concern have been identified in terms of skills or expertise loss.</p>
7	Are we assured that we have appropriate contingency arrangements in place to protect our supply chains and manage the cost and availability of products and services?	Our strategic critical suppliers have been identified and their capacity and contingency planning assessed. The level of impact will be determined by the nature of the agreed future relationship with the EU.
8	How might we need to adapt our work once the UK has left the EU?	Renfrewshire Council will continue to provide key services regardless of being in or out of the EU. The Council will continue to monitor developments as we move into the transition period.