

**To: Leadership Board**

**On: 2 December 2020**

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**Report by: Chief Executive**

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**Heading: EU Exit**

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## **1. Summary**

- 1.1 Throughout last year, regular updates were provided to the Leadership Board in relation to the UK's planned withdrawal from the EU. In December 2019, the most recent update outlined the extension of the 'Article 50 withdrawal period' to January 2020, at which time a transition period for the UK commenced. This is due to come to an end on 31 December 2020.
- 1.2 Although the global COVID-19 pandemic and subsequent UK lockdown has impacted discussions on the UK's Exit from the EU, negotiations and the associated legislative programme have continued to progress, particularly in recent months. This report provides an update on the current national position and summarises key areas of interest for local government alongside local preparedness information.

## **2. Recommendations**

- 2.1 It is recommended that members of the Leadership Board:
- Note the updated information outlined in this report; and
  - Note the activities undertaken by Council officers to prepare for the end of the transition period.

## **3. Background**

- 3.1 At the time of writing this report, negotiations between the UK Government and the EU have not yet been concluded so the shape of the future relationship between the EU and UK remains subject to uncertainty. Comments from the Prime Minister in late October indicated that the UK

should 'get ready' to trade without an agreement and local authorities have continued to prepare jointly for this potential outcome in partnership with COSLA.

- 3.2 The Internal Market Bill is currently being considered by MPs in Westminster. Elements of the Bill relating to trade, related regulations and a system of 'mutual recognition' have been highlighted by the UK's devolved administrations. The mutual recognition clauses would mean each administration can set standards and regulations locally but must accept goods from all other parts of the UK. The content of the Bill focusing on 'returning powers' from the EU seem to indicate a change from what was agreed within the Withdrawal Act, and this has also been highlighted by the devolved administrations as an area for further examination.
- 3.3 Of interest to local government, the Bill outlines further plans for the UK Shared Prosperity Fund, proposing a centralised approach - different to the current EU Structural Funds which were fully devolved. Further detail on how the Fund will operate has not yet been published.
- 3.4 The Bill also outlines that State Aid considerations will become a reserved matter in order for the UK Government to legislate for a single regime across the nations, with plans to consult further on what this might look like.
- 3.5 The Scottish Parliament recently voted 'not to consent' to the legislation. A previous legal challenge on this basis (for the EU Withdrawal Act) was not upheld and therefore it is unlikely that this vote in the Scottish Parliament will change the outcome in Westminster. UK Ministers have indicated they will continue to progress the legislation.

#### **4. Preparations for the end of the transition period**

- 4.1 Officers continue to undertake all required actions to prepare effectively for the end of the transition period, regardless of the outcome of the current political negotiations. The Chief Executive chairs an internal group which considers the Council's readiness. This is complemented by the work of the Strategic Brexit Officer Group, which is chaired by the Director of Finance and Resources, and has been assembled to consider the medium to longer term strategic impacts of the EU Exit, such as the Council's finances, the local economy, vulnerable groups etc.
- 4.2 Given the timing of the end of this transition period and the increasing likelihood of no or a minimal deal on the future trading relationship between the UK and EU, Council officers are also reviewing the combined risk to Renfrewshire communities with the COVID-19 pandemic and recent tightening of restrictions, alongside the potential for adverse winter weather conditions, and what this might mean for both vulnerable people and the business sector locally.
- 4.3 In terms of the preparedness for the end of the transition period, officers have continued to review activities in relation to:

- availability of goods and services
- support for vulnerable people, particularly around food insecurity
- support for businesses
- the EU settlement scheme, migration and the movement of people
- workforce support including communications to staff and signposting to all relevant information
- financial risk, data protection and security

- 4.4 **Food insecurity** - a key area of preparation for the Council relates to the potential impact on the Council's supply chain of specific goods and services, and the requirement to mitigate the impact of this on the delivery of services, particularly those to vulnerable groups. For example, the Council's procurement team and service managers have worked very closely to consider the impact of availability of food products used for school meals, community meals, care homes etc. The experiences of the initial weeks of the national lockdown have helped the Council to further prepare for the possibility of any food supply chain pressures.
- 4.5 The impact of food price increases continues to be monitored internally, both in relation to the Council's budget, as well as the impact on vulnerable people. Much of this work was already in place prior to the outbreak of the COVID-19 pandemic as the Council prepared for a variety of potential outcomes due to uncertainties at different stages of the EU Exit process. This has recently been stepped up as we move towards the end of the transition period and is being reviewed to reflect the additional impact due to COVID-19. More broadly, we know from national research that vulnerable individuals and families have been disproportionately affected by the COVID-19 pandemic; any further potential increases in food and fuel prices, difficulties accessing secure employment etc are likely to further impact the health and wellbeing of individuals and families already struggling.
- 4.6 **Procurement** - the Council's procurement team have linked closely with national colleagues and have noted that, as part of the overall EU Exit programme, the Scottish Government have highlighted the need to have updated procurement regulations in place to reflect that the UK has left the EU. These legislative changes are to fix deficiencies only which means that there will be no material changes to procurement processes and procedures from 1 January 2021 onwards. Legislative amendments which need to come in to effect by 1 January 2021 are planned to be laid in the Scottish Parliament in the coming weeks.
- 4.7 To ensure the Council's supply of Personal Protective Equipment (PPE) is maintained, Council officers on the Council's PPE Group have been closely monitoring supply chains, pricing, demand and guidance. Procurement are regularly engaging with the Council's suppliers to ensure any additional potential pressures or risks which may be experienced due to the EU Exit are highlighted at an early stage and plans can be put in place to mitigate this.

- 4.8 **Export Health Certification** - Elected Members will be aware from previous reports to Leadership Board, that specific impacts had been identified for local government regulatory services in the event of no agreement being reached on the future trading relationship of the UK and EU. In particular, this relates to the provision of the export health certificates that would be required for food inspection. This work is carried out by Environmental Health Teams across local authorities, who are currently significantly impacted by the COVID-19 pandemic and supporting the national Test and Protect model. Work continues to be progressed at a national level by COSLA in partnership with local authorities and professional organisations, on options to manage the significant increase in certification which would be required particularly whilst managing the impact of the pandemic. To reflect the increased workload due to the pandemic, recent funding of £2.9m was allocated by the Scottish Government to support officers in this field, however, it remains a difficult area to resource, with a relatively small pool of qualified professionals across Scotland able to carry out this role.
- 4.9 **Employment and the economy** – the Council, along with the Renfrewshire Economic Leadership Panel, is developing a Renfrewshire Economic Recovery Plan with several overarching objectives in response to the covid-19 economic impacts and the potential impacts of the EU Exit on the Renfrewshire economy. The draft Economic Recovery Plan will look at how to make the Renfrewshire economy more resilient over time and also how it can play a full role in the wider national economic recovery in sectors such as manufacturing. One aspect of this is through exploring the potential for changes to supply chains through knowledge sharing between Scottish companies that allows them to align themselves to national and international markets. Another is that through the impending arrival of the National Manufacturing Institute Scotland (at Netherton Campus) there is the opportunity for Renfrewshire manufacturing companies to benefit from programmes aimed at their adoption of digital and other technologies to meet future business requirements.
- 4.10 Prior to the outbreak of the COVID-19 pandemic, national and local marketing campaigns had been rolled out to encourage local businesses to ‘Prepare for Brexit’. Without a full understanding of what the future relationship between the UK and the EU will be, this remains difficult for businesses to properly prepare for, particularly at a time where businesses are facing unprecedented challenges.
- 4.11 Renfrewshire’s employability service, Invest in Renfrewshire, has continued to operate throughout the pandemic and to offer support to more than 1,000 people in Renfrewshire since April 2020 seeking employment or looking for financial, wellbeing or redundancy support and will continue to do so should any impact on local employability be felt as a result of the EU Exit. In

particular, the team will continue to use local data and intelligence to monitor changes to the skills sought and any significant gaps in Renfrewshire's jobs market, an approach outlined in Renfrewshire's Skills Plan.

- 4.12 **EU Funding** - EU funding has played an important role in improving Scotland's infrastructure, environment and business competitiveness. As noted above in section 3, the UK Government announced its commitment to replace the EU Structural and Investment Funds with the UK Shared Prosperity Fund (UKSPF). It included a commitment that the UKSPF would, at a minimum, match the 2014-2020 EU Structural Funds provision for each UK nation. Between 2014 and 2020 Scotland received £856 million, Wales £2,195 million, Northern Ireland £467 million and England £6,463 million (at today's exchange rates). EU Structural Funds have been based on a policy framework set by the EU, but with implementation undertaken by individual member states, through devolved governments, to meet local needs.
- 4.13 The devolved governments have been seeking reassurance that the UKSPF will be ready to replace EU funding in January 2021. Timing is now critical: the end of the transition period also means the end of the existing EU funding schemes. The UK Government has indicated that the arrangements for the UKSPF would be included in the Comprehensive Spending Review (CSR) process - the date for this has been confirmed as 25th November 2020. It was also announced that the CSR will cover an only one-year time period which is a change from the EU Structural Funds which had adopted a multi-annual approach.
- 4.14 The impacts for Renfrewshire Council on a UKSPF not being available for 2021 have been mitigated by the Council extending the end date of the existing EU Structural Funds programme as far as possible. These are currently December 2022 for EU Structural Funds and EU Regional Development Funds. However, the EU LEADER (rural development) programme is due to complete at the end of December 2020 with claims completed by the end of March 2021. The UKSPF was anticipated to be the funding mechanism for the continuation of this rural economic development agenda across Scotland.
- 4.15 **EU citizens, migration and movement** - the UK Government are finalising a new immigration system - the final details of the points-based system will be confirmed later this year and most new routes start from January 2021. The exception is the student route which started from 5 October 2020. Discussions are ongoing about how to best reflect regional variation and need across the different parts of the UK. In terms of filling job roles, the UK Government's Migration Advisory Committee are currently reviewing what would be deemed a shortage occupation and will consider additional occupations specific to the Scottish economy.

- 4.16 Renfrewshire Council's communications team have continued to highlight any new messages on the EU Settlement Scheme for employees and the Council's HR and OD team continue to offer support to any EU employees who require advice and assistance.
- 4.17 Within Renfrewshire's wider population, it is difficult to get a full picture of the number of EU nationals who have applied for EU Settled Status as this is not information shared with the Council. The Council's webpages have recently been updated to include signposts to the Scottish Government commissioned 'Just Right' fact sheets, to assist EU citizens to understand their rights and the process of applying for settled status. The deadline for applying for settled status remains 30 June 2021.
- 4.18 Local government continues to seek further clarity from the UK Government on supporting people who have No Recourse to Public Funds (NRPF) due to their immigration status. When EU free movement ends, EU nationals will become subject to the UK's Immigration Rules which may result in a larger number of people living in the UK with NRPF. Those who fail to obtain leave to remain in the UK under the EU Settlement Scheme and future arrivals may also be at risk of becoming part of this group of people with NRPF which means many support services and benefits are not available to them and they and their families are at risk of severe financial hardship. This is particularly difficult at this time during the COVID-19 pandemic and as we come into the winter months.

## 5. Next steps

- 5.1 Officers will continue to review levels of preparedness given any new or emerging information which is made available. Officers are also ready to respond quickly to changes given the likelihood of short timescales.
- 5.2 In addition, as highlighted in paragraph 4.2, the EU Exit related risks are being reviewed in light of both the experiences and lessons learned through the COVID-19 pandemic and to highlight any cumulative risks that may be experienced through the EU Exit, the COVID-19 pandemic and potential adverse winter weather occurring during the same period.

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## Implications of the Report

1. **Financial** – note the potential impact outlined in paragraphs 4.12 to 4.14 on the future scheme to replace EU funding and a potential risk of delay.
2. **HR & Organisational Development** – ongoing support is offered to Renfrewshire Council employees who require assistance or advice applying for EUSS.
3. **Community/Council Planning** – the report considers food insecurity and support to vulnerable groups, alongside considering impacts on Renfrewshire's economy.

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** – the implications for the procurement service are outlined in the report at paragraphs 4.4 to 4.7.
10. **Risk** – risk considerations are outlined throughout, with particular focus in paragraphs 4.1 and 4.2.
11. **Privacy Impact** – none
12. **COSLA Policy Position** – COSLA continues to lobby at a national level for appropriate resources to prepare for the EU Exit, particularly in relation to the EHO role, as outlined in paragraph 4.8. Supporting people with NRPF as outlined in paragraph 4.18 is also a COSLA priority area. More broadly, lobbying has taken place with the UK Government to ensure local government is consulted on issue which directly impact them, such as the detail of the Shared Prosperity Fund and the arrangements for State Aid.
13. **Climate Risk** – none

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#### List of Background Papers

- (a) Preparations for the planned withdrawal of the UK from the EU, Leadership Board, 4 December 2019
  - (b) Preparations for the planned withdrawal of the UK from the EU, Leadership Board, 1 May 2019
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