

To: Leadership Board

On: 20 February 2019

Report by: Chief Executive

Heading: Preparations for the planned withdrawal of the UK from the EU

1. Summary

- 1.1 Regular updates have been provided to members of the Leadership Board in relation to the UK's planned withdrawal from the EU on 29 March 2019. The previous report on 5 December 2018, provided an update to elected members on the Brexit negotiation process, and an overview of key areas of preparation being progressed by officers in conjunction with community planning partners, including those relating to a withdrawal with no deal having been agreed between the UK and EU.
- 1.2 Section 3 of this report provides a further update on negotiations relating to the withdrawal agreement, and elected members will be aware that these continue to be undertaken within a very fast paced and complex environment.
- 1.3 Section 4 provides an overview of the key areas of risk for the local authority that have been identified by officers specifically in relation to a no deal Brexit scenario being realised. Preparatory activities underway are proportionate and pragmatic, and are targeted to address specific issues identified through wider risk assessment. These activities are being progressed in light of available information, and the Council will require to continue to respond flexibly and at pace to new priorities or areas of concern as these emerge through the later stages of negotiation.

2. Recommendations

- 2.1 It is recommended that elected members note:
- The updated information provided within this report and;
 - The activities being undertaken by council officers to prepare appropriately for EU Withdrawal internally and with community planning partners and that;
 - Preparations are actively being progressed in relation to a no deal Brexit scenario being realised.

3. Background

- 3.1 Regular updates have been provided to the Leadership Board on the potential implications of the UK's withdrawal from the EU on 29 March 2019. The last report to the board on 5 December 2018 noted the critical stage which had been reached in terms of the EU and the UK finalising a withdrawal agreement, and in negotiating the terms of a future relationship.
- 3.2 A draft withdrawal agreement was initially published by the EU and UK on 25 November 2018. The draft withdrawal agreement is legally binding and was accompanied by the publication of a political agreement which sets out the future scope of the relationship between the UK and the EU. The political agreement is not legally binding and sets out the direction of travel and timelines for agreeing the specific legal nature of this political and economic relationship.
- 3.3 It was anticipated that a vote on the withdrawal agreement would take place in the UK Parliament in December 2018, however this was delayed until January 2019. Members will be aware that given the legally binding nature of the withdrawal agreement, this requires formal ratification by both the EU and the UK Parliament.
- 3.4 The "meaningful vote" on the withdrawal agreement took place on 15th January 2019 in the House of Commons, with a majority of MPs voting to reject the withdrawal agreement in its current form.
- 3.5 There continues to be a significant level of uncertainty in terms of the withdrawal agreement, and whether the EU and the UK Parliament will be able to reach consensus ahead of the withdrawal date of 29 March 2019, which is set out in legislation. On 29 January 2019, MPs voted in favour of a tabled amendment which requires the UK Government to

request a renegotiation of the withdrawal agreement, with particular regard to the so-called Irish “backstop” arrangement.

3.6 Due to the increasing uncertainty and limited time now available to reach agreement on withdrawal prior to 29 March 2019, contingency planning arrangements for the proposition of a “no deal” Brexit are being scaled up across both the EU and the UK. The remainder of this paper focuses specifically on the implications of a “no-deal” Brexit for Renfrewshire Council, and seeks to provide assurance in relation to activities being undertaken by the local authority to prepare for this scenario.

4. Preparations for the UK’s withdrawal from the EU without an agreed deal (No-deal Brexit)

4.1 Within previous reports submitted to the Leadership Board on EU withdrawal, it was noted that a range of technical notes had been published by the UK Government to ensure preparedness for a no deal Brexit scenario. Preparatory activities have taken place at a UK level in relation to key areas of concern, including particular issues which may arise in relation to border controls and port entry points such as Dover.

4.2 The Scottish Government are also progressing contingency planning arrangements, and have engaged with COSLA, other national bodies and through national and local resilience planning networks to develop more detailed plans for a no deal Brexit.

4.3 The Scottish Parliament is also currently working to implement required changes to legislation, under powers set out in the European Union (Withdrawal) Act 2018. These powers allow Scottish Ministers to propose changes which ‘fix’ deficiencies in legislation caused by the UK’s exit from the EU. The powers are limited, and do not provide an opportunity to undertake a wholesale review of legislation.

4.4 Whilst in the short to medium term it is unlikely that there will be a fundamental change in legislation and regulation, in the short to medium term the relationship between the UK and EU will change and come under immediate pressure, particularly where a no deal Brexit scenario is realised. It is anticipated that the most significant risk will be in relation to freedom of movement for people, and trade relating to goods and services.

4.5 As a local authority there are three specific areas of concern:

- Impact in relation to contracts for goods and services through for example supply chain issues.

- Impact on regulatory services such as trading standards and food inspection due to increased demand on these services.
- Implications for employees and services in relation to residency and immigration

4.6 It is important that the response of the Council in terms of preparing for a no deal Brexit is proportionate and pragmatic. Multi agency liaison is a key way for the Councils and associated partners to meet their duties under the Civil Contingencies Act. This recognises the principles of Integrated Emergency Management and the shared responsibilities of all organisations in the event of an incident arising. The Council is now using the strong relationships with key partners that have been developed through forums such as the West of Scotland Regional Resilience Partnership (WoS RRP), as well as local site-specific groups to develop better understanding of potential Brexit implications and consider appropriate mitigation.

4.7 Officers have engaged in all national and local preparations and a senior officer group, chaired by the Chief Executive, is meeting on a weekly basis. Section 5 below provides a summary of the key risks identified through this process and highlights the mitigating actions being progressed in relation to each. These actions are additional to already well developed business continuity plans in place across all council services.

5. Key areas of risk and linked actions

a) Disruption to the supply chain

5.1 New customs arrangements could lead to disruption to imports and exports at the UK border. Scottish Government Officers are working on a range of alternative options for Scottish logistics, focusing specifically on imports of chemicals, food, fuel and medicine and on just-in-time perishable exports.

5.2 According to data, 50% of UK food consumption is produced within the UK. Approximately 30% of food eaten in the UK is imported from the EU, with the remaining 20% coming from non-EU countries. The UK imports substantially more fresh produce in the winter months – from Spain in particular and is heavily dependent on imports arriving through Channel Tunnel, Dover and East Coast Ports.

5.3 Each major food company has a unique supply chain logistics model, some using in-house transport, others using third parties (who can also sub-contract, and others using a combination of options). A significant amount of work has been undertaken by the Council's procurement

service and with Scotland Excel to understand and test the resilience of key supply chains that provide goods and services to the Council.

- 5.4 The analysis undertaken at a local level by the procurement team in conjunction with Council services, has ensured that there is strong awareness of potential implications of supply chain disruption and how these impact in particular services to vulnerable people. Services have identified options to enable them to respond flexibly to the availability of certain goods and products, and are ensuring that stock levels are maintained and maximised across essential supplies.

(b) Food Standards and Regulatory Activities

- 5.5 Another key area of focus is on the Council's Regulatory Services – and in particular the work that is undertaken with local businesses and at the Airport to ensure food standards are met, to combat organised crime and to ensure efficient imports and exports are maintained in partnership with Border Force. This area of work is a priority for Food Standards Scotland (FSS) and Renfrewshire Council Regulatory services have been working with Border Force, Food Standards Scotland and Police Scotland to discuss issues around Brexit insofar as it will impact on all partner agencies at Glasgow International Airport. Renfrewshire Council will continue work closely and maintain regular communication with Glasgow Airport, partner agencies and the Scottish Ports Liaison Network to strengthen the resilience of these arrangements.

- 5.6 The potential for an increased risk of food fraud post Brexit has also been identified, and combating this will require increased surveillance of Port Health activities. Officers involved in Port Health activities have attended updated training with Glasgow Airport and Greater Glasgow and Clyde Health Board. It is anticipated that initially, additional work generated by additional import checks will be borne, in the main, by Border Force however, it is expected that there will also be additional work generated for the Council where foods require clearance/certification at the port – especially in relation to exports.

- 5.7 Resourcing requirements have been assessed within these services, and will be addressed through planned recruitment exercises during early 2019.

(c) EU citizens working for Renfrewshire Council and partners

- 5.8 EU citizens who want to stay in the UK following Brexit need to apply for settled status through the UK Government's settlement scheme. It was initially envisaged that there would be a cost to apply through this

scheme – but this has now been waived in a recent announcement from the Prime Minister. The UK Government has confirmed however, that in the event of a ‘no-deal’ EU citizens will not be offered the same rights through the settled status scheme. Specifically there will be a reduction in family reunification rights to bring EU citizens into line with the rights available to UK citizens.

- 5.9 As reported previously to the Leadership Board, the Council has limited data on the number of EU nationals working within Renfrewshire Council. An initial scan of data suggested that 39 employees were from EU member states, however further work has been prioritised and undertaken to engage with the workforce and to ensure that those affected know where to go for help and information. This will continue in light of increasing levels of uncertainty arising due to the risk of a no-deal Brexit scenario. 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 has been extended to staff working across the Health and Social Care Partnership.

(d) Wider issues relating to governance

- 5.10 Much of Scotland’s public procurement legislation comes from European Directives. It contains references and requirements which will no longer make any sense if the UK leaves the EU without a deal. Procurement procedures would be fundamentally unchanged with a small number of technical changes required. For example, the requirement to ensure there is equal treatment to bidders across countries would remain in place for a period of 8 months after exit day. This is at the UK Government’s request in anticipation of the UK joining the WTO Government Procurement Agreement.
- 5.11 A significant change would arise in relation to how contracts were advertised, as contracting authorities would no longer be required to publish in the Official Journal of the European Union, but would be published on a new UK e-notification system. The requirement to have recourse to E-Certis, the EU’s online database of documentary evidence required in each member state, would be removed, as would references to the EU’s state aid regime.
- 5.12 In terms of legal implications, a key area of concern remains the potential for contracted suppliers to claim force majeure – that due to an extreme change in external circumstances the contract entered into is no longer appropriate or sustainable. This applies only in unforeseeable circumstances and therefore the risk of force majeure

being enacted remains low at this time but cannot be fully discounted. Ongoing engagement is taking place with suppliers at a local suppliers and with national suppliers through Scotland Excel.

- 5.13 In the short to medium term it is anticipated that there may be financial implications arising as a direct result of supply chain issues flowing from a no-deal Brexit, due to possible currency fluctuations and as markets adjust to any new trading relationships which are put into place. Work has also been undertaken to identify those contracts which may be particularly impacted by currency fluctuation and where euros are specified as the monetary value underpinning the contract.
- 5.14 The Director of Finance and Resources continues to be alert to the financial implications of a no-deal Brexit, notwithstanding the potential for an updated UK Budget to be prepared and published by the Chancellor of the Exchequer in response to this scenario. This scenario would also require the Scottish Government to revisit the Scottish Budget.
- 5.15 A final area of risk relates to uncertainty in relation to the requirement for future elections to be held in the UK. As reported through the media, there is ongoing commentary and speculation relating to a further referendum or a “People’s Vote” or for a snap general election to be called. In addition, there is an emerging requirement for the Chief Executive, as Returning Officer for the Renfrewshire geography, to prepare for the potential requirement to hold European Parliament elections. The likelihood of this is uncertain, but this may be required should Article 50 and the EU withdrawal date be extended. The European Parliamentary elections are due to be held in May 2019.

6 Next steps

- 6.1 It is proposed that a further update is provided to the Leadership Board in May 2019, with officers working with partners to identify risks and mitigating actions required in the intervening period and in response to emerging information and developments.

Implications of the Report

1. **Financial** – the Brexit vote presents significant economic and financial risks for the Council as outlined in the report .

2. **HR & Organisational Development** – as outlined in the report as these relate to areas of service activity which may require additional staffing resource, or in relation to support for employees in relation to the proposed EU Settlement Scheme.
3. **Council Plan and Community Planning** – as outlined in the report.
4. **Legal** – as outlined in the report.
5. **Property/Assets** – n/a
6. **Information Technology** – n/a
7. **Equality & Human Rights**
 - (a) 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 digital infrastructure helps people to live better and fuller lives. 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 & Safety** – N/A
9. **Procurement** – as outlined in the report.
10. **Risk** – as outlined in the report.
11. **Privacy Impact** – N/A.
12. **Cosla Policy Position** – Regular engagement has been undertaken with national groups and organisations and other local authorities through COSLA. COSLA Leaders supported a position in December 2018 for a People's Vote to be conducted to address concerns in relation to the EU Withdrawal process.

List of Background Papers

- (a) Nil

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