

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 29 JANUARY 2019

BREXIT PREPAREDNESS

Introduction

In December 2018 CoSLA issued a questionnaire to all local authorities to assess their Brexit Preparedness particularly in relation to

- Workforce
- Goods, Services and Supply Chain
- Place and
- Funding

As a result the Angus Council response forms the basis of the BREXIT Information Report to Angus Council. The Council's BREXIT Office Group has met with the Scottish Government officer seconded to CoSLA as BREXIT Coordinator to work with councils. Initial feedback is that Angus Council is as prepared as most other councils at this stage.

Audit Scotland guidance on EU withdrawal http://www.audit-scotland.gov.uk/uploads/docs/um/pg_eu_withdrawal_public_bodies.pdf refers to a paper representing Audit Scotland's view of the key issues and encourages auditors to share the paper with audit committees. As a result Report NO xxxx to Scrutiny and Audit Committee on 22 January 2019 refers to Audit Scotland's assessment of risk.

Brexit Preparedness

The following section seeks information on issues relating to **Workforce**. You are asked to identify whether each issue is of high, medium or low priority for your council. You might also include any information on the actions that have been taken to mitigate the effects for each issue and list any additional support required, from the Scottish Government or elsewhere, to best mitigate the issue.

A number of prompts are included which can be used when identifying the priorities for your area (please note that they are not an exhaustive list and you may include any issues you believe are relevant):

WORKFORCE:

No Deal Specific (ie short-term impacts):

- The parts of your workforce (sectors/skills/services/areas) that are most at risk from the impact of EU withdrawal
- Any particular workforce issues that are specific to your local area
- The number of Non-UK EU workers in your organisation

Medium to longer term impacts:

- The implications of EU withdrawal in your long-term workforce planning
- The implications for the local workforce in your economic strategies
- Effect on your organisation of reduced access to EU Labour

Effect on your ability to recruit were there to be a reduction in the currency value

ISSUE	ACTION/MITIGATION	PRIORITY (High/Medium/Low)
Services at risk in council/IJB	Survey of council and IJB employees conducted summer 2018 to identify numbers from EU/Rest of the World (ROW) to assess potential impact. Fewer than 20 in total identified themselves as EU or ROW. Some employees did not respond but we believe the numbers are low. Not seen as a risk meantime, due to proposed action by government in terms of settlement scheme. Could be a more significant issue for Tayside Contracts who provide services on our behalf so work ongoing to confirm the position with them.	Low
Lack of workers in local area	Potentially there could be a significant impact on local employers. Fruit farmers rely on hundreds of seasonal migrant workers, and without them fruit will go unpicked. Also potential for significant impact on businesses employing permanent/semi-permanent migrant workers for e.g. the food industry, water bottling and packaging products.	High
Reduction in currency value	We have already experienced some impact from this in the local area as more EU workers have returned to their home countries due to the relative economic improvement at home. In 2017, for example, fewer seasonal workers came, leaving more fruit unpicked than in previous years. Other countries have become more attractive than the UK, like Germany where many workers are migrating to.	High to medium

ISSUE	ACTION/MITIGATION	PRIORITY (High/Medium/Low)
	This will have far reaching implications for cost of living for many people and families within our communities, including those currently vulnerable and those not classed as vulnerable. The potential for increased costs will push many more into the poverty bracket.	High

Brexit Preparedness

The following section seeks information on issues relating to **Goods, Services and Supply Chains**. You are asked to identify whether each issue is of high, medium or low priority for your council. You might also include any information on the actions that have been taken to mitigate the effects for each issue and list any additional support required, from the Scottish Government or elsewhere, to best mitigate the issue.

A number of prompts are included which can be used when identifying the priorities for your area (please note that they are not an exhaustive list and you may include any issues you believe are relevant):

GOODS, SERVICES & SUPPLY CHAINS:

This section should be used to outline the issues identified within your authority in relation to the **goods and services both required and delivered by the council**.

No Deal Specific (ie short-term impacts):

- The critical areas that may be impacted due to interruption to supplies (including care homes)
- The availability of resources and any requirements for stockpiling
- Relationship with 3rd sector providers and links to your contingency planning
- Discussions with suppliers directly or through Scotland Excel
- Effect on trading standards if mutual recognition ends between UK and EU
- Effect of new import and export checks that may be required

Medium to longer term impacts:

The implications of any change to the state aid rules and/or processes

- Effects on your contracts of major currency fluctuations
- Resilience of your supply chain
- Particular goods or services that your local area rely on from EU countries
- Any opportunities for collaboration with or to help your suppliers

ISSUE	ACTION/MITIGATION	PRIORITY (High/Medium/Low)
Medication	<p>Work is ongoing at national level. Awareness of 6 week supply and longer term impacts possible. Partnership assessments being done. This applies to both deal and no deal.</p>	High
	<p>May also be an impact on staff requirements for medication that might impact ability to attend for work. Much of this unknown at present and further assessment is required in this regard.</p>	High
Supply chain	<p>Work has been undertaken nationally via Scotland Excel, which published a “White Paper” on Brexit in November. In summary, Scotland excel concludes that a proactive, diagnostic approach to Brexit is key to securing business buoyancy. Scotland Excel will continue to exercise diligence on its supply portfolio in what is an uncertain period. In order that Scotland Excel remains alert to changes in the risk profile, their analysis will be ongoing. This advice has been considered at a Tayside strategic level to understand potential impact locally. The results are noted below.</p> <p>Angus Council currently contributes £3000 to membership of Supplier Development Programme (SDP) to inform and educate businesses on how to submit tenders via Public Procurement Scotland website and access support via workshops to help them understand the procurement landscape. Whilst changes to procurement are not directly linked to the work that we do with SDP, legal changes may impact on businesses being interested (or not) in submitting bids. We are, however unlikely to see any major changes to procurement law</p> <p>Our operating assumption is that BREXIT will not substantially affect the procurement policy and rules applicable to Council procurement of goods, services and works necessary to deliver council services. This is because (a) much of EU procurement rules, policy and principles either (a) have been adopted into Scottish procurement legislation by the Public Contracts (Scotland) Regulations 2015 (and equivalent regulations implementing the EU directives on utilities and concession procurement) or (b) mirror Scottish government procurement policy, including that applied below EU threshold levels by the Procurement Reform (Scotland) Act 2014 and the Procurement (Scotland) Regulations 2016. It is also likely that the trade agreement to be struck between EU and the UK as part of BREXIT will require application of rules equivalent to the EU Public Procurement Directive (2014/24/EU, already incorporated into Scots law by the 2015 regulations referred to above).</p> <p>Established international trading terms do exist (e.g. the “Incoterms” suite of contract conditions published by the International Chambers of Commerce) which can be used to ensure that the import / export tariff (as well as shipping /insurance) cost risks of international trade or known between the contracting parties and addressed up front.</p>	High

ISSUE	ACTION/MITIGATION	PRIORITY (High/Medium/Low)
	<p>The issue of Brexit risk has been considered amongst procurement managers at Tayside Procurement Consortium in terms of reaching a professional consensus on a good practice approach to this (group of) risk(s). For 2017/18, 0% of Angus Council's direct suppliers were located outwith the UK. As such there is arguably no addressable risk to the Council's procurement arrangements in terms of security of supply directly from our suppliers / providers. In terms of financial risk, the primary / short-term risk of extra cost from Brexit falls on the tier 1 supplier / provider in terms of risk allocation under our contracts.</p> <p>However, it is recognised that protracted supply disruption for our "tier 1" direct suppliers from BREXIT (e.g. due to protracted port delays and/or securing alternative supply chains if tariffs make current ones uneconomic) and adverse impact on lower tier workforce will add pressure to current contracted prices which are likely to be passed through to the Council in early course. No supply chain mitigation measures are appropriate or available for this this cost risk issue – the Council will have to respond to this if it happens alongside other financial pressures / risks.</p> <p>Potential for issues with supplies to care homes – food. The commodity lead for food at Tayside Procurement Consortium considers that there is enough resilience in the Tayside Contracts food procurement arrangements to not require any special measures for security of supply at this time. The position will however be highly fluid with the same pressures on all authorities and would be monitored closely.</p> <p>Fuel supplies may be impacted; oil for heating and fuel for travel; fuel and energy assumptions indicate little impact at this time. As for all supplies, would be monitored closely and awareness of the potential of impact maintained.</p> <p>Goods and services – the risks of goods importing delays and increased cost pressure apply throughout the supply chain (e.g. there may be a delay in obtaining parts for equipment).</p>	<p>High</p> <p>Medium</p> <p>Medium</p>
Import and Export – Trading Standards	Exporting and importing of goods may be delayed due to increased administration and paperwork; impact on fresh goods eg seafood and also on cargo loading and unloading at Montrose Port.	High

ISSUE	ACTION/MITIGATION	PRIORITY (High/Medium/Low)
Waste, recycling and environment	The Institute for European Environmental Policy (IEEP) estimates that there are more than 500 directives, regulations and directions that make up EU Environmental Law. For those in local authorities some of the most significant include: Landfill Directive – requiring member states to reduce the amount of municipal waste going to landfill; Waste Framework Directive, which sets recycling and recovery targets and basic principles for the management of waste; Water Framework Directive, requiring all rivers, lakes, groundwater and coastal waters to be of good quality by 2020; Bathing Water Directive, which sets quality standards for recreational waters to reduce pollution; Ambient Air Quality Directive, which sets air pollution limits; Habitats Directive, requiring member states to protect biodiversity, animals and plants; Environmental Noise and Environmental Impact Assessments for certain projects.	High
Impact on key sectors of Angus	Agriculture, food and drink and manufacturing all rely specifically on non UK EU residents. Inability to recruit locally or nationally will impact on productivity.	High
Impact on environment	In the event of the UK remaining within the EEA, most environmental law would be required to continue. Outside the EEA, UK businesses exporting to the EEA would still need to meet standards to ensure they couldn't undercut those elsewhere in the EEA. While compliance with EU legislation is ultimately the responsibility of UK government, the devolved administrations have, in practice, often been responsible for developing appropriate policy and regulation, for example, the Scottish Government set tighter limits for air pollutants than the rest of the UK.	Medium
Adult Care Services	<p>For (adult) social care services from our providers (workforce risk is addressed elsewhere), the consensus view of all TPC procurement managers was that, given the nature of our most critical supplies and the availability of alternatives, no special measures were required to address the risk Brexit presents in terms of security of supply at this time. Although not based on a formal risk assessment, procurement managers' view was that the likelihood of this risk (to uninterrupted delivery of services) was low and the impact would be marginal. This therefore does not merit specific mitigation measures.</p> <p>However, as for the supply chain generally, BREXIT is likely to add pressure to current contracted prices which are likely to be sought to be passed through. The Council / IJB will have to respond to this if it happens alongside other financial pressures/risks.</p>	Low

Brexit Preparedness

The following section seeks information on issues relating to **Place**. You are asked to identify whether each issue is of high, medium or low priority for your council. You might also include any information on the actions that have been taken to mitigate the effects for each issue and list any additional support required, from the Scottish Government or elsewhere, to best mitigate the issue.

A number of prompts are included which can be used when identifying the priorities for your area (please note that they are not an exhaustive list and you may include any issues you believe are relevant):

PLACE: This section should be used to outline the issues identified in relation to your **wider place**.

No Deal Specific (ie short-term impacts):

- Issues identified through discussions you have had with your CPP partners
- Issues identified through discussions or work you have undertaken with private sector partners
- Any dialogue you have had with your communities about possible effects of a no deal or plans to do so

Medium to longer term impacts:

- Effects outwith your organisation – eg any particular sectors in your area that rely on Non-UK EU workers
- Your priorities for providing support and assistance to communities
- Impact on transport networks

Impact of large numbers of UK citizens returning from other parts of the EU

ISSUE	ACTION/MITIGATION	PRIORITY (High/Medium/Low)
Issue of supply chain to supermarkets and impact on vulnerable families.	Should there be shortage of food and or stockpiling/panic buying this will impact those most vulnerable within our communities. Foodbanks likely to have challenges in supporting families.	Medium
Increase in cost of living and food	Impact on communities in terms of cost of food supplies and those most vulnerable should there be an increase in cost of living and specifically food.	Medium
Increase in anti-social behaviours and protests	Assessment of intelligence locally and the outcome of deal or no deal.	Medium
Integrated approach to risks across partnerships	Resilience partnerships assessing impacts and developing plans alongside partner plans and priorities.	High

ISSUE	ACTION/MITIGATION	PRIORITY (High/Medium/Low)
Lack of EU labour longer term for the council/IJB	Due to low numbers currently employed in the council, it is difficult to forecast any significant impact in the future. However, the council's workforce is becoming leaner as a result efficiency savings, this is forecast to continue. In addition, if non-UK families left the area there may be fewer teachers or support staff in schools helping with English as a second language needed. There could be more impact on Tayside Contracts ability to recruit and retain staff.	Medium High potentially
	The impact on the IJB may be more significant, as the pressure to find care staff increases with an aging population.	

Brexit Preparedness

The following section seeks information on issues relating to **Funding**. You are asked to identify whether each issue is of high, medium or low priority for your council. You might also include any information on the actions that have been taken to mitigate the effects for each issue and list any additional support required, from the Scottish Government or elsewhere, to best mitigate the issue.

A number of prompts are included which can be used when identifying the priorities for your area (please note that they are not an exhaustive list and you may include any issues you believe are relevant):

FUNDING: This section should be used to outline the issues identified in relation to **finance or funding**.

No Deal Specific (ie short-term impacts):

- Impact of any fluctuations in the currency rate to your income (eg council tax, non-domestic rates)
- Impact of any fluctuations in the currency rate to your expenditure

Medium to longer term impacts:

- Impact of the loss of any EU Funding (eg European Structural Funds)
- Impact on future economic growth
- Impact on any infrastructure and regeneration projects and plans
- Impact on social inclusion issues (eg welfare fund)

ISSUE	ACTION/MITIGATION	PRIORITY (High/Medium/Low)
Funding (European and External)	<p>Many funding sources will become inaccessible with significant impacts local, including capital investment. This includes (but not exclusively):</p> <ul style="list-style-type: none"> • LEADER, • INTERREG North Sea Programme • European Regional Development Fund • Eramus+ • Business Gateway • Low Carbon Fund • Others <p>Following the end of phase 1 Brexit negotiations, the UK and the EU agreed that obligations under the seven years Multiannual Financial Framework (MFF) 2014-20 would be honoured. This means that the UK will continue to participate in the aforementioned EU funding programmes as if we were a full EU member, even beyond March 2019. This includes EU Structural and Investment Fund (ESIF) projects (ESF, EMFF and the ERDF), INTERREG, Horizon2020 research funding, Europe for Citizens and Erasmus + etc.</p> <p>However given current position, it is unclear what the longer term view is in terms of funding. There has been very little update to this position and funding remains a high priority in terms of the forward look.</p>	<p>High</p>
	<p>Many EU funding sources will no longer be available and currently there is insufficient information available on proposed Shared Prosperity Fund</p>	<p>High</p>
	<p>Loss of funding to communities to support policy areas such as community empowerment and community asset transfer and in particular rural and coastal communities</p>	<p>High</p>
	<p>Potential loss of Assisted Areas support for business impacting on attractiveness of area to invest in</p>	<p>High</p>

ISSUE	ACTION/MITIGATION	PRIORITY (High/Medium/Low)
	<p>EU State Aid rules govern the financial assistance that can be given to companies, including help to create or protect jobs in the UK's less prosperous areas ('Assisted Areas'). Scotland had a significant hand in shaping the current EU rules on regional aid and in defining the current Assisted Area map which includes part of Angus. The present EU rules and map are in place until 2020 however it is unclear the impact on this timeline. While regional aid is Scottish Government funded, the governing rules are defined by EU regulations.</p>	High
<p>Financial implications – generally</p>	<p>The outlook for reduction in currency value, increased costs over a large spectrum of goods and services, the unknowns in terms of funding creates a challenging picture, specifically against the worst case planning assumptions. The impact therefore on public sector, private sector and businesses has the potential to be significant, eg loss of jobs, recession, and further austerity.</p>	High