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**REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 29 JANUARY 2020**

**SUBJECT: AUDIT SCOTLAND BRIEFING PAPER – PREPARING FOR WITHDRAWAL FROM THE EUROPEAN UNION**

**BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND ORGANISATIONAL DEVELOPMENT)**

## **1. REASON FOR REPORT**

- 1.1 To provide Committee with information provided by Audit Scotland in a briefing paper entitled 'Preparing for Withdrawal from the European Union.'
- 1.2 This report is submitted to Committee in terms of Section III (I) (3) of the Council's Scheme of Administration relating to consideration of reports prepared by the Accounts Commission/Audit Scotland.

## **2. RECOMMENDATIONS**

### **2.1 Committee is asked to:**

- i) consider this latest publication by Audit Scotland on preparing for withdrawal from the European Union (EU), noting that Audit Scotland has concluded that, across the public sector, preparations for withdrawal from the EU have been reasonable and proportionate given the level of uncertainty; and
- ii) note that although the 'no deal' scenario planned for has been avoided for now, uncertainty will remain as the departure date passes and changed arrangements are negotiated. The council will continue to work with Scottish Government and partners to ensure the impact of any changes are mitigated where these are within its control.

## **3. BACKGROUND**

- 3.1 At a meeting on 24 April 2019, the Audit and Scrutiny Committee considered a report by the Chief Executive on Brexit preparedness (para 9 of the Minute refers). The report was based on an Audit Scotland paper published in October 2018 and on information made available by Scottish Government. The report considered Brexit planning under the themes of People Issues, Finance Issues, and Rules and Regulations.

- 3.2 Following consideration the Committee agreed to note the work the council had done to assess the potential impacts of Brexit, acknowledging the uncertainty that prevailed and would continue while negotiations were ongoing between the EU and UK Government. On this basis, it was agreed that the council would continue to monitor national developments and take a proportionate risk based approach to mitigate any issues prevailing where these fall within the remit of the council.

### **Audit Scotland briefing - December 2019**

- 3.3 Audit Scotland's recent briefing paper on EU withdrawal is available at [https://www.audit-scotland.gov.uk/uploads/docs/report/2019/briefing\\_191216\\_eu\\_withdrawal.pdf](https://www.audit-scotland.gov.uk/uploads/docs/report/2019/briefing_191216_eu_withdrawal.pdf) The briefing paper notes the UK Government's intention to leave the EU at the end of January 2020, (now likely to proceed) and refers again to the considerable uncertainty about the longer term implications of doing so.
- 3.4 The paper draws on a range of sources including Audit Scotland's knowledge of the public sector and on published material including the information referred to in its earlier report. It also suggests questions for public bodies to ask themselves about their on-going preparations for EU withdrawal.
- 3.5 While the paper references the public sector as a whole, the main costs in preparing for an anticipated 'no deal' Brexit have been incurred by Scottish Government. The appendix to the paper notes that over the past three years, UK Government has allocated a total of £98.6 million to Scottish Government to manage the costs of preparing for EU withdrawal.
- 3.6 Of this amount £70.9 million covered 'approved spend' by Scottish Government on staff costs, administrative support and legal fees and £17 million was allocated as Police funding. The remaining £10.7 million was spread across eight further areas with £1.6 million made available as Local Authority coordination funding (a sum of £50,000 per local authority) for ongoing local coordination work on EU exit preparedness arrangements.
- 3.7 Given this funding apportionment, the initial focus of the briefing paper is on the work of Scottish Government; notably on the overview of its preparedness contained within a Scottish Government report published in October 2019. This grouped the potential impacts of leaving the EU under a 'no deal' scenario using six risk areas:
- Managing civil contingencies including the movement of transport and supply of goods
  - Protecting vulnerable communities
  - Supporting businesses and the economy
  - Supporting the rural economy including fisheries, agriculture and the environment.
  - Making labour market interventions to support employability and skills
  - Protecting citizens' rights and internal connections

- 3.8 Overall, Audit Scotland has concluded that the Scottish Government's preparations for withdrawal from the EU were reasonable and proportionate given the level of uncertainty.
- 3.9 Within the wider public sector, which includes councils, similar conclusions were reached, although the briefing paper also highlighted that:
- Preparing for withdrawal from the EU during 2019 diverted management attention and resources across the public sector.
  - Withdrawal from the EU has the potential to compound existing pressures that the wider Scottish public sector is facing.
  - As before, the uncertainty over how the UK will leave the EU has meant there has been only limited consideration of the longer term implications for the Scottish public sector.

### **Looking forward – future plans**

- 3.10 The briefing paper raises a number of questions (eight in all) that public bodies should consider in ongoing planning for EU withdrawal. Some of these are specific around financial planning, staffing and supply chains, others continue the general theme of the need to identify and manage any risks that are identified in a proportionate manner.
- 3.11 This council has maintained a watching brief on potential issues with the Corporate Management Team being updated as required. A briefing was also provided to elected members by the Chief Executive which referenced scenarios that may or may not unfold depending on how negotiations progress. There is a need to balance a level of preparedness with a 'wait and see' approach, recognising that the pace of change may alter after the 31 January departure date.
- 3.12 The funding referred to in paragraph 3.6 has been used to part fund the emergency planning officer role that was created following the disbanding of the Grampian Emergency Planning Unit. This post was filled on 25 November and will support any work to be co-ordinated by the council following the agreed departure date.
- 3.13 Scottish government has also allocated £105,980 from the operational contingency fund for no deal preparation costs associated with export certificates within environmental health. The service is presently looking to recruit additional temporary staff to deal with anticipated increased workloads in this area, again this will depend on negotiations that will take place after the departure date.

#### **4. SUMMARY OF IMPLICATIONS**

**(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

The issues highlighted in this report may impact on the corporate plan and LOIP, however the extent to which these plans need to be revised (if any) will depend on the terms of the agreement reached between the EU and the UK government.

**(b) Policy and Legal**

The council's regulatory framework will be revised if and when required. There are no matters to report at the present time.

**(c) Financial implications**

No direct implications from this report although there may be cost impacts in the event of changes in the labour market or an increase in the cost of goods or services purchased from the EU.

**(d) Risk Implications**

Brexit is a corporate risk given the potential multiple effects that may impact on the council as a consequence of the UK's departure from the EU. This risk will continue for as long as negotiations are on-going

**(e) Staffing Implications**

There may be staffing issues relative to recruitment and retention of non UK EU nationals who may either leave the UK or not migrate into the UK post Brexit. This is considered to be low risk within the council's own staff complement and may have some limited impacts in organisations the council contracts with in the social care sector.

**(f) Property**

No implications directly arising from this report.

**(g) Equalities/Socio Economic Impact**

These impacts, if any, are unknown at the time of drafting this report.

**(h) Consultations**

The Chief Executive, Head of Environmental and Commercial Services, Head of Economic Growth and Development have been consulted and have contributed to the report where it relates to their area of responsibility.

## **5. CONCLUSION**

- 5.1 The Committee is asked to consider and note the latest Audit Scotland briefing on preparedness for withdrawal from the European Union.**

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Background Papers: Audit Scotland paper

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