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**ARGYLL AND BUTE COUNCIL**

**Council**

**Chief Executive**

**26 September 2019**

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## **UK Withdrawal from the EU**

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### **1.0 EXECUTIVE SUMMARY**

- 1.1. On 23 June 2016 the United Kingdom held a referendum on whether to remain or leave the European Union. In March 2017 the UK Government invoked Article 50 serving its notice to formally withdraw the UK's membership to the EU.
- 1.2. As members are aware, the Council CEO established a Tactical Team to ensure that the Council and the Health and Social Care Partnership (HSCP) are sufficiently prepared for all risks and opportunities that may arise from the withdrawal from the EU.
- 1.3. The impact of any decision has the potential to be far reaching and there is a significant amount of activity at a national and regional level to plan and identify appropriate mitigations to meet any risks and opportunities.
- 1.4. The Tactical Team undertook a full risk assessment and developed an Action Plan to mitigate key risks for our area. All our business continuity plans have been revised to ensure that services can continue to be delivered in the event of a 'no deal' exit from the EU.
- 1.5. It is recommended that Argyll and Bute Council;
  - a) Note the contents of this paper which provides assurance that the Council and the HSCP are as well prepared as they can be with regards to exiting the EU, and are actively engaged with our partners through the local and national resilience frameworks

## **UK Withdrawal from the EU**

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### **2.0 INTRODUCTION**

- 2.1 In response to the UK's withdrawal from the EU which was planned for the 29<sup>th</sup> March 2019, officers from within the Council and the Health and Social Care Partnership, in liaison with resilience partners undertook a full assessment of the potential risks and opportunities from exiting the EU. An Action Plan was developed setting out our responses to mitigate the potential impacts, so far as was possible. This work is ongoing given the extended UK deadline of the 31<sup>st</sup> October 2019
- 2.2 This paper sets out the approach to the risk assessment, provides a high level of summary of activity within 8 specific themes and seeks to assure members that due to the significant planning that has been undertaken since the end of last year, that the Council and the HSCP are as ready as it can be to respond to the changes that may arise when the UK exits the EU.

### **3.0 RECOMMENDATIONS**

- 3.1 Members are asked to note this paper which provides assurance that the Council and the HSCP are as well prepared as they can be with regards to exiting the EU, and are actively engaged with our partners through the local and national resilience frameworks.

### **4.0 DETAIL**

- 4.1 On 23 June 2016 the United Kingdom held a referendum on whether to remain or leave the European Union. In March 2017 the UK Government invoked Article 50 serving its notice to formally withdraw the UK's membership to the EU.

- 4.2 As members are aware, in 2018 the Council CEO established a Tactical Team to ensure that the Council and the Health and Social Care Partnership (HSCP) are sufficiently prepared for all risks and opportunities that may arise from the withdrawal from the EU. 'Exit from the EU' has remained a weekly standing agenda item for the Strategic Management Team since the beginning of 2019 with regular highlight progress reports from the tactical team.
- 4.3 The impact of EU Exit has the potential to be far reaching and there is a significant amount of activity at a national and regional level to plan and identify appropriate mitigations to meet any risks and opportunities. In contingency planning terms, this work has focused primarily on considering the impact of a "no-deal" scenario and secondary activity is ongoing in the event of a "deal" scenario (i.e. withdrawal arrangements agreed between the EU and the UK Parliament).
- 4.4 In terms of the structure for planning, mitigating risks and identifying opportunities, there is a logical top down sequence for the assessment and planning, which can be summarised as follows;
- UK Planning Assumptions.
  - Scottish Planning Assumptions.
  - Council/HSCP own Risk Assessment.
- 4.5 This framework has provided for an integrated Council/HSCP approach which has led to the development of a risk register which assessed both scenarios of withdrawal from the EU i.e. either a coordinated Withdrawal Agreement between the 28 Member States or a 'no deal' Withdrawal.
- 4.6 The risk register identifies controls and mitigation measures which can be taken, although there are risks (e.g. rise in inflation and cost of living, etc.) which are out with the control of the Council. Other key activity was updating the Councils/HSCPs Critical Activity Plans to ensure readiness for business continuity in the event of disruptions to operating as 'business as usual'. The risk register also informed the Action Plan which sets out the key actions in response and was agreed by the Strategic Management Team. Both the risk register and this Action Plan remain live documents that will change to the evolving threats and opportunities as they emerge.
- 4.7 The Action Plan considers the impact across specific themes and identifies a range of actions to be taken either within the Council/HSCP; with partner agencies, business sector and communities, or for lobbying Government and others (e.g. COSLA etc.). The specific themes reflect the Scottish Planning Assumptions are of a) disruption to services, b) goods, services and the supply chain, c) communities, d) policy and funding, e) information and data information, f) travel, freight and borders, g) demonstrations and disorder, and h) finance. Some information is available on those themes below.

- 4.8 **Theme A - Disruption of Services;** this theme focusses specifically on disruption to the collective organisations of the Council and the HSCP (with exception to supply chain, see next theme). Threats and opportunities relating to external organisations are captured elsewhere and strategic links are made.
- 4.9 The most critical issue for the Council from day 1 in the event of a 'no deal' relates to the provision of export certificates for fish and shellfish. There is insufficient capacity within the Environmental Health Team to cope with the potential demand for certificates for exports should they be required for EU destinations. There is a large sector in Argyll and Bute that currently trades in the EU common market using their "approved status" (i.e. without the need for certification of every consignment). Discussions have been ongoing at a national level for a number of months with significant input from the Council's Regulatory Services to secure satisfactory solutions and ensure contingency plans are in place before the 31 October 2019. Currently this remains a high risk and it is also assumed in this instance that this will remain a high risk in a 'deal' situation. This has potential adverse economic implications to the sector itself which are covered in the next theme, and to the wider protection of public health in the event that resources are redeployed to meet the needs of the export market
- 4.10 With exception to the above, currently there is a general level of assurance that any other impact on services can be managed through our business continuity plans including other additional demands on regulation. There are a number of risks within this theme all of which are considered low risk including loss of EU workers from the Council and HSCP (there is a low number within our organisations), return of UK nationals, other changes to legislation and regulations and also consideration to the cumulative impact in the event that other unforeseen events have an unexpected impact on services e.g. extreme weather events.
- 4.11 **Theme B - Good, Services and Supply Chain;** as linked to the potential requirement for additional food export licenses described above, it is assumed a 'no deal' withdrawal will have a significant adverse impact on the security and costs of imports and exports. Goods that have a limited window of opportunity to travel will be particularly affected by unplanned delays e.g. farmed fish, shell fish and fresh food (see also theme C). Our procurement colleagues, Scotland Excel, have advised on how to minimise the impact of any disruptions and steps have been taken to plan for any adverse impact; e.g. the development of alternative menus within our catering establishments and increased dialogue with suppliers.
- 4.12 Our key tourism and food and drink sectors are likely to be affected from a potential double impact of the reintroduction of border controls and currency

fluctuations which may place an additional financial burden on businesses which may in some cases become unsustainable. The Councils Business Gateway Team continues to signpost Argyll and Bute businesses to the range of support available for businesses specifically in relation to being prepared for exiting the EU. With regards to currency, it is assumed volatile fluctuations will provide less certainty to imports/exports and foreign travel (both outward and inward bound). Coordinated efforts will be required to liaise with enforcement authorities to prevent the growth of a black market economy in the event of a gap in border controls and regulation. There are existing arrangements in place to combat serious and organised crime and these systems will be fully utilised to meet this increased risk.

- 4.13 In an area identified with both a declining and rapidly ageing population, the private sector is highly dependent on the inward migration of economically active non UK nationals and we are working with national colleagues on cross sectoral workforce planning and lobbying government for action (see theme C for more information on population.) Utilities are currently deemed as low risk and these areas are being proactively monitored at national level. The availability of medicines locally is a national priority and contingency discussions are held weekly.
- 4.14 **Theme C - Communities;** the first two themes above allows for a coordinated response to direct impacts on our communities (e.g. services and supply chains). This theme seeks to ensure that we are proactively monitoring the indirect impacts on our communities and coordinating a response where required. There is a concern that the impact is likely to be exacerbated in our remote rural and island communities.
- 4.15 The Tactical Team assumes that there will not be an overall shortage of food but a likely reduction in choice particularly in fresh and perishable foods. There are concerns that a 'no deal' withdrawal from the EU may push up the cost of fruit, vegetables, meat and dairy as fresh products would not/cannot be stockpiled by suppliers. This may have an adverse impact on residents in communities who already suffer from higher food and drink costs due to rurality and island living. A related concern is the potential for the exacerbation of fuel poverty in the event that the import costs and stock levels of fuel are affected by both import tariffs and currency fluctuations, given the number of "off-grid" properties across Argyll and Bute.
- 4.16 It is important to support our communities and ensure that there are adequate arrangements to protect the vulnerable or those who may become vulnerable.

There may be a higher demand for advice services, access to food banks and applications for crisis grants through the Scottish Welfare Fund and these will be monitored closely through our existing arrangements with our partners.

- 4.17 A sub group of the Tactical Team is reviewing arrangements across Argyll and Bute with the aim of ensuring that our communities have access to the support of the national charity FareShare who received funding directly from the Scottish Government to increase their redistribution of surplus food around the country'. This is in direct response to the planned withdrawal from the EU due to some concerns regarding security of food supplies for the most vulnerable.
- 4.18 A survey of food banks was completed to create a baseline of activity and understand demand, challenges and opportunities. This activity is to support FareShare to identify solutions with a desired outcome that organisations in Argyll and Bute that provide free food for vulnerable members of communities have access to FareShare support if there is a demand for such a service. The work of the subgroup will be finalised in the next month
- 4.19 It is well established that Argyll and Bute is depopulating with a rapidly ageing population and any loss of economically active residents will accelerate this position. These projections appear to be a feature of west coast Scotland authorities. This Council along with the seven other west coast authorities lobbied the Scottish Government to play a role in a nationally coordinated response and consequently in June 2019 a Scottish Ministerial Task Group was created to consider population challenges and develop new solutions to address demographic and population change.
- 4.20 **Theme D - Policy and Funding;** the Highlands and Islands and its communities are substantial beneficiaries of European funding and there is a concern that their withdrawal will lead to an increase in inequality. The impact of the loss of EU funding on community regeneration and local economic strategies, research and development and further and higher education provision is considerable and concerning to these institutions. The agricultural sector in the area is heavily reliant on EU funding from the Common Agricultural Policy funds and in particular for those targeted at fragile areas who receive Less Favoured Area Support Scheme payments (LFASS) of which the Highlands and Islands area of Argyll and Bute falls within. Any reduction, cessation or uncertainty in relation to this funding is likely to see significant adverse impacts on farm businesses which are highly dependent on these payments.
- 4.21 It is assumed that the UK Government's Shared Prosperity Fund (UKSPF) will be the replacement funding for European Structural and Investment Funds, although further detail is awaited. Pre-consultation took place earlier in the year which Argyll and Bute officers participated and a formal consultation on the

UKSPF will emerge on which the Council will fully engage and respond. With regards to 'state aid', it has been established that regardless of how the UK exits the EU, existing rules around state aid will remain the same until there are any changes by legislation.

- 4.22 **Theme E - Information and Data Sharing;** communications operators have highlighted the loss of (non UK) EU national employees as a concern particularly in the Highlands & Islands. As part of business as usual, the Council will maintain its liaison with Skills Development Scotland to highlight the need for more training of UK citizens in digital communications.
- 4.23 The Council and the HSCP are wholly dependent on our digital information systems and data sharing. The Council network is provided by UK based suppliers and all cloud services are hosted in the UK. All council servers are on premise and an upgrade to the Kilmory server was completed earlier this year with an upgrade planned for Helensburgh. The Council has already made advance purchases of hardware requirements (e.g. laptops) due to both a global shortage and to avoid price increases.
- 4.24 **Theme F - Travel, Freight and Borders;** airport and port border and security checks including cruise ships have been assessed within Argyll and Bute and at this point are categorised as low to moderate risk. Currently no key actions are required and officers will continue to liaise with security authorities to ensure we are fully updated and compliant with any changes and continue to attend West of Scotland Port Security Committee meetings. Businesses who rely on exporting goods and/or importing goods, have been advised to undertake steps to "be prepared", using the advice and tools on the gov.uk site
- 4.25 **Theme G - Civil Contingencies;** tried and tested civil contingency arrangements are in place and the Council and the HSCP are actively engaged in these local and national frameworks. Working with our partners we will be able to respond to any emerging incident through this multiagency approach which has been tested as part of our normal approach within the local resilience partnership. Business Continuity Plans have been updated and we have appropriate arrangements in place to report through the Multiagency National Coordinating Group. The Council/HSCP arrangements met the "readiness" criteria set by COSLA and the Tactical Team continue to liaise with resilience partners on a regular basis to ensure that this status is retained.
- 4.26 **Theme H - Financial;** one moderate risk and one low risk have been assessed for Argyll and Bute for which there are no key actions locally. The first risk (moderate) relates to the potential for a more volatile economy and significant disruption of the GDP, Bank Rate, the value of Sterling and the cost of borrowing; the response of the tactical team is to tolerate this risk over which we have no

control. The Council's treasury team will continue to monitor the situation and take advice from our treasury advisors. The second (low) concern is 'treasury function disruption' which financial Institutions having been preparing for.

- 4.27 **Working with others;** the Council and the HSCP recognises their role in working with others in preparing for the impact and opportunities from the EU Withdrawal. We continue to maintain dialogue with all resilience partners on an ongoing basis, work with partners including communities and business and influence decisions at a national level where there is a recognised impact on Argyll and Bute (e.g. food export certificates, population). The Tactical Team will continue to meet fortnightly or as required and monitor risks, maintain the action plan, and provide update reports to national and regional partners when required.
- 4.28 Members should be assured that officers remain ready to respond to any changes and decisions, and will continue to forward plan for all and any foreseeable issues and opportunities. If any member would like further detail on the activities underway to prepare for the UK Withdrawal from the EU, please contact the officers below, who can offer such advice as permitted by the confidential nature of information received by the Council.

## **5.0 CONCLUSION**

- 5.1 The UK Government's withdrawal from the EU raises a number of risks and opportunities and the Council and the HSCP undertook early in the year a full risk assessment and subsequently produced an Action Plan. The most significant risk relates to export of fish and shellfish and a national approach has been ongoing for some time with input from the Council's Regulatory Services Manager, who is also the Councils /HSCP Tactical Lead.
- 5.2 Members should be assured that work is ongoing to respond to the uncertainty surrounding EU-Exit, and that:
- Preparation work has been undertaken having regard to national planning assumptions, and a risk register and Action Plan are in place to mitigate the key risks to our area; this work continues.
  - We are embedded and actively engaged in national frameworks and discussions on a wide range of issues.
  - All our business continuity plans have been revised in order to provide assurance that our core Council/HSCP services can be delivered in the event of a "no-deal" EU Exit. Such work has included the provision of fuel supplies etc.
  - From a contingency planning perspective, we have established systems in place to work with our partners responding to emerging issues and report into the National Multi-Agency Coordinating Centre, which relates directly to Scottish and UK Government.

- The Council/HSCP were classified as “ ready” using the COSLA Assessment Model in the lead up to the original leave date of the 29<sup>th</sup> March 2019 and remain at this level.
- All other key areas of activity are highlighted in this report and members should be assured that the tactical team continue to meet regularly to monitor all potential risks and opportunities, ensure satisfactory contingency arrangements are in place and report regularly to the Strategic Management Team.

## **6.0 IMPLICATIONS**

6.1 Policy; none at this point.

6.2 Financial: Scottish Government have allocated £50,000 to each local authority to prepare for exiting the EU. Officer time in excess of this has been, and will continue, to be allocated to ensuring that the Council/HSCP are prepared

6.3 Legal; None at this point

6.4 HR; N/A

6.5 Fairer Scotland Duty: N/A

6.5.1 Equalities - protected characteristics; N/A

6.5.2 Socio-economic Duty; N/A

6.5.3 Islands; N/A

6.6. Risk; the EU Exit Tactical Team maintain a live risk register to support forward planning and mitigation of withdrawal from the EU.

6.7 Customer Service; N/A

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### **For further information contact:**

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