Jan019January 2019

Item 05

**Private and Confidential**

**Brexit Update**

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| **Summary and Recommendations**  Previous reports have summarised the work being undertaken by COSLA as we prepare for the UK’s withdrawal from the EU. The terms of the withdrawal remain undecided and Leaders will be aware of the ongoing debate within the UK Parliament. The Scottish Government Resilience arrangements are now up and running and the President or Vice-President is attending weekly meetings. A further update on these matters will be provided next week.  On a specific point, COSLA/SOLACE recently issued a survey to all Councils asking for feedback on key areas of concern regarding EU withdrawal impacts. From this we gathered a list of requests for Scottish and UK Governments to consider as part of their Brexit preparedness work. These are set out below, split into four key themes, and cover short through to long term workstreams.  This paper invites Leaders to:   1. Note COSLA’s continuing work preparing for the UK’s withdrawal from the EU; 2. Consider and agree that the requests of the Scottish and UK Governments reflect the needs of Scottish Local Government; and, 3. Agree that, subject to agreement of recommendation (ii), COSLA officers should initiate formal discussions with Scottish Government officials. |

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| **References**  Most recent relevant reports**:**   * Convention 14 December 2018 – Brexit Update * COSLA Leaders 30 November 2018 – Brexit Update * COSLA Leaders October 2018 – Brexit Preparedness / Local Government Workforce |

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**Brexit Update**

# Purpose

1. To update Leaders on relevant recent developments around the UK’s withdrawal from the EU.
2. Specifically. to gather views from Leaders to allow COSLA to begin formal discussions with Scottish Government officials around the key areas of concerns from Local Government regarding EU withdrawal impacts.

# Current COSLA Position

1. The debate around the terms of the withdrawal from the EU continue at Westminster. A further statement from the Prime Minister to the UK Parliament is now expected on Monday 21 January 2019. At that point, a UK Government motion will be tabled to which amendments will be expected. These amendments will set out various MPs’ and political party suggestions for ways forward. There will be votes on these amendments on Tuesday 29 January 2019. The outcome of these will inform the UK Government’s next steps. Responding to the Prime Minister’s request for views on the way forward, Cllr Evison has written to her (copied to all UK Party Leaders) making clear COSLA’s opposition to a No Deal and setting out our previously agreed positions around withdrawal from the EU.
2. Meantime, the Scottish Government and Local Government continues to prepare on the basis of a withdrawal from the EU on 29 March 2019. Work is particularly focusing on the implications of No Deal being in place at that point. The Scottish Government Resilience Room arrangements are now up and running and the COSLA President or Vice President, Chief Executive and a SOLACE representative are now attending weekly meetings. Much officer work surrounds this and should the prospect of No Deal become a reality over the next few weeks, then this work will have to increase considerably.
3. A COSLA event on council preparedness for Brexit has been arranged on 23 January 2019 and all councils are represented. The Cabinet Secretary, Mike Russell, will be speaking at the event alongside Councillor Evison.
4. A further update on any developments will be provided to the meeting.
5. On a specific point, COSLA is working with Scottish Government to ensure Local Government key needs resulting from EU withdrawal are identified, understood and addressed where possible. We need to ensure that Scottish and UK Governments are fully aware of the significant pressures Local Government will face from EU withdrawal impacts, and where relevant, provide the required resources to help mitigate these.

# What is Changing?

1. COSLA/SOLACE recently issued a survey to all councils asking for feedback on key areas of concern regarding EU withdrawal impacts. From this, we gathered a list of requests for Scottish and UK Governments to consider as part of their Brexit preparedness work. These are set out below split into four key themes and cover short through to long term workstreams.

# Proposed COSLA Position

1. Leaders are asked to consider and, taking account of any comments, approve the list of requests in paragraphs 10 to 29 for Scottish and UK Government to consider as part of their Brexit preparedness work.

**Workforce**

1. Local Government must have clarification from Scottish Government on the proposal to pay EU Settlement Status costs for public sector workers. (A number of Councils have made this request, and the uncertainty is causing some difficulty as staff will understandably be concerned about the lack of detail). We are expecting a public announcement to be made on the fee commitment in the next two weeks; this must have all the detail required for councils to know which of their, and possibly partners within (for example) the Social Care sector, staff will be included.
2. We must undertake a national approach to the issue of Workforce Planning for Local Government services. We are currently devising a Workforce Plan for Health and Social Care, and this has shown the importance of all partners being involved in this. It has also demonstrated the significant breadth and complexity of the issues that require to be addressed within a Workforce Plan (e.g. depopulation, skills, demographics such as age, push and pull impacts of various competing policies, incentives to recruitment and retention). COSLA will develop a discussion paper on this which can be submitted to the Scottish Government to enable wider more formal discussions on taking forward this vital piece of work.
3. COSLA/Scottish Government will raise concerns relating to the UK Government’s white paper on immigration (December 2018), which confirms the end of free movement. Reflecting our agreed position, COSLA will work with Scottish Government to lobby the UK Government for a post-Brexit immigration system that can meet Scotland’s economic, workforce and demographic needs (on a local level as well as national).
4. Standard templates and guidance should be urgently developed and sent to councils to allow them to survey and inform staff consistently and efficiently as we move through the next few weeks and months. This will require joint working from COSLA, Scottish Government and others where relevant. (The issue of templates and guidance cuts across other areas too, such as supply chains.)

**Goods, Services, Supply Chains**

1. Work with the Central Purchasing Unit to develop plans for the procurement of goods, supplies and services. Recommend that the UK/Scottish Government creates a taskforce to examine the issues around the supply of goods.
2. We need urgently to consider the effect on trading standards if mutual recognition ends between UK and the EU - it is essential that the UK and Scottish Government provide clarity on the applicable law and that the legislative framework is amended to ensure that it properly functions after the withdrawal. The service must monitor the detail of any agreement and prepare for the outcome.
3. When both UK and Scottish Government are considering the issue of continuity of goods of supply, construction supplies need to be included as a critical element.
4. A very significant increase in regulatory support will be required to meet the demand of additional goods entering the UK, together with associated costs in relation to conducting scientific analysis, storage and disposal of seized goods and conducting investigations and prosecutions.
5. Guidance and early information from Scottish Government regarding the potential for food, pharmacy and fuel shortages would be helpful.
6. Local Government will need assistance in funding any increased workforce costs around regulating the supply of goods (e.g. Environmental Health Officers & Trading Standards Officers) if crashing out.

**Place**

1. Remedial / anticipatory work needs to be considered on community relations post Brexit or indeed no-Brexit, recognising the strains that may have emerged or could emerge.
2. Should the UK and EU agree for any reason to suspend Article 50 and therefore the UK does not withdraw on 29 March 2019, and it is decided that consequently the upcoming European Elections are to take place here, Local and Scottish Government will need to urgently consider the issues that will need planned to allow this to happen.
3. Further action required to look at educational and cultural impacts of potentially ending involvement in EU programmes, including the European Youth Parliament, ERASMUS, Town Twinning.
4. Businesses have expressed concern on the implications of Brexit. Additional guidance, advice and support that is consistent across Scotland would be beneficial in supporting the local business community. This also relates to the Third Sector, and citizens themselves. Councils cannot fund this sort of activity at a time of significant budget pressures, and the difficulties they face in delivering current services. It would also be an inefficient use of resources to have 32 individual approaches to this. Scottish Government must consider ensuring this kind of support is available to all those who require it.

**Funding**

1. Scottish Government must ensure that all Budget consequentials made available to it as a result of English councils receiving contingency funding for mitigating Brexit impacts are passed in full to Local Government.
2. We need collectively to be prepared and plan for the rise and fall in the value of Sterling as we move through this process. It is likely primarily a HM Treasury issue, but councils need reassurance that this impact will be mitigated to avoid budget reductions.
3. Current funding for Financial Inclusion and Tackling Poverty may be insufficient should poverty increase as a result of Brexit as many experts suggest. This should be raised with the Scottish and UK Governments to consider as part of future spending priorities.
4. Both the UK and Scottish Governments must be pressed to ensure inward investment and private finance opportunities are available.
5. Council budgets are already under severe pressure. The possible increased costs of goods and services in the short to medium term, combined with the negative impact of adverse economic circumstances, will just add further pressure. It is vital that Local Government funding reflects the realities of the emerging situation and that councils are adequately funded to play the role required post Brexit.
6. Councils have been assured that the ability to spend current EU project funding will be maintained until 2023 (assuming there is not a No Deal). Post-Brexit the UK Government has proposed the creation of a Shared Prosperity Fund, but no details of eligibility or mechanisms have been forthcoming. It is essential that the Shared Prosperity Fund scale and allocation mechanism appropriately reflect local need and current funding distributions to ensure areas do not see a reduction of the global budget within their area.

# Next Steps

1. Due to the risk of a No-Deal exit from the EU, this work needs to be progressed quickly. The aim is to conclude discussions with the Scottish Government on the immediate pressures by the end of February 2019 at the latest.
2. Officers will provide an update on these discussions to a future meeting.

**January 2019**