

Impact of Exiting the European Union – Update

Report by Dr Mary Smith, Director Education, Communities and Economy

1.0 Purpose of Report

This report sets out a follow up previous assessments of the potential impacts on Midlothian of the decision to leave the European Union, following on from the initial reports presented to Council in October 2016, June 2017 and answers to elected members questions in June 2018.

This report concentrates on the identification of risks facing the Council and the steps that are being taken to address these.

2.0 Background

2.1 Much of the focus to date has been on the potential economic impacts including growth rates, currency fluctuations, future investment streams, employment and inflation. The degree to which the UK has access to the Single Market following its departure from the EU will have a significant influence on these issues. In parallel with this, there is of course the matter of migration, how this will be managed in the future and the impact that will have on skills, employment and the demand for public services.

2.2 The Council has undertaken a review of the numbers of staff employed who are EU nationals. This review indicated that nationality data is confirmed for only 60% of the council staff. Those who have been in continuous employment prior to the legal requirement to prove right to work in the UK and those who did not choose to answer the staff equalities survey i.e. a total of 40% unrecorded. Of the 60% staff whose nationality is known, 137 are non UK citizens, with a very small number of these coming from outside the EU. Should these staff choose to leave due to uncertainty about their future status within the UK, or response to negative attitudes they may perceive the local population to hold towards EU citizens, or other factors such as the value of wages paid in Sterling this would potentially have an impact on the Council given the factors set out below.

The local labour market is currently tight with lower unemployment than at any point in the past 20 years. There are recruitment issues for specific parts of the workforce with difficulties in recruiting teachers (especially to provide adequate supply cover), adult care staff, and the demands of expansion of the early year's workforce.

One of the greatest demands for local authorities and communities in Scotland and across the UK is access to the NHS. Scotland already has an acute problem in recruiting and retaining GPs. The Royal College of General Practitioners Scotland recently said 226 GPs took their primary degree from a European Economic Area (EEA) country. Concern has been raised that, post-exit, many of these GPs will return to their country of origin with a projected deficit of 828 doctors in General Practice by 2021. Similarly, recent figures show a drop of 96% in the number of applications to the UK for nursing posts from individuals from the EU.

To mitigate the risk of large scale departures of EU citizens, the UK Government has published guidance for employers. This makes clear that if an EU citizen is intending to remain in the UK after 31 December 2020 they will need to apply for a new “status” document. The type of this new document will depend on which category they fall into:

1. “Settled Status”: Those who will have been living in the UK for 5 years by 31 December 2020 can apply for “settled status” entitling them to continue to live and work in UK. EU citizens who have already acquired their permanent residence document to live in the UK will still need to exchange this for a settled status document.
2. “Temporary Residence Permit”: Those who have arrived (or will arrive) in the UK before 29 March 2019 but won’t have been living in the UK for 5 years by 31 December 2020 can apply for a “temporary residence permit”. This will entitle them to remain in the UK until they reach 5 years, at which point they will be able to apply for settled status.
3. “Registration”: Those who will arrive in the implementation period (between 29 March 2019 and 31 December 2020) will have to register if they are to stay for longer than 3 months. If they wish to stay beyond 31 December 2020 they will have to apply to remain beyond that date.
4. “Future Immigration System”: Those who arrive after 31 December 2020 will be subject to a new immigration regime, the details of which are still to be worked out. The Migration Advisory Committee is due to report on this later in the year.

The UK Government states that a “streamlined, quick and user-friendly” application process is now up and running. EU citizens have until 30 June 2021 to make the necessary application for temporary or settled status. This means that, over the coming years, employers including the Council will need to update their right to work procedures and checklists to reflect the new system and the new documents.

Most recently a letter has been received from COSLA setting out in greater detail the way the EU Settlement Scheme (EUSS) will be applied. (Appendix 1)

- 2.3** The other most immediately identifiable impact of exiting the EU for Midlothian will be in respect of EU funding streams. The use of EU funding in Midlothian is broken into two broad types; funds administered by the Council or where the Council provides match funding itself, and funds flowing into the area associated with nationally operated schemes such as agricultural subsidies. The current schemes operated by the Council are the European Social Fund (ESF) Employability Pipeline and the ESF funded Poverty and Social Inclusion programme, with a combined income value of £ 607,000 requiring matching funding of £ £910,000 and the LEADER fund described below.

The Tyne Esk LEADER rural economic development programme will continue to run until the end date approved for this. Tyne Esk LEADER has now allocated a total of £2,368,257.32 to 38 projects in the Tyne Esk area and leveraged in an additional £4,141,296.02 in match funding. These figures are £912,303.16 in funds awarded and £1,976,527.47 in additional match funding leveraged in. The Programme is close to fully allocating it’s funds with only £189,819.68 left to allocate although there are continual underspends and there is an anticipated administrative underspend of over £100,000 that will allow the programme to continue awarding (likely smaller) grants for some time.

2.4 The impacts of a 'no deal' exit have been risk assessed by the UK Government which has published a set of guidance notes for UK businesses, and citizens. A "No Deal" exit would, according to the EU Commission mean:

- ***"The United Kingdom will be a third country and Union law ceases to apply to and in the United Kingdom.***
- ***Citizens:*** *There would be no specific arrangement in place for EU citizens in the United Kingdom, or for UK citizens in the European Union.*
- ***Border issues:*** *The European Union must apply its regulation and tariffs at borders with the United Kingdom as a third country, including checks and controls for customs, sanitary and phytosanitary standards and verification of compliance with EU norms. Transport between the United Kingdom and the European Union would be severely impacted. Customs, sanitary and phytosanitary controls at borders could cause significant delays, e.g. in road transport, and difficulties for ports.*
- ***Trade and regulatory issues:*** *The United Kingdom becomes a third country whose relations with the European Union would be governed by general international public law, including rules of the World Trade Organisation. In particular, in heavily regulated sectors, this would represent a significant drawback compared to the current level of market integration.*
- ***Negotiations with the United Kingdom:*** *Depending on the circumstances leading to the withdrawal without an agreement, the EU may wish to enter into negotiations with the United Kingdom as a third country.*
- ***EU funding:*** *UK entities would cease to be eligible as Union entities for the purpose of receiving EU grants and participating in EU procurement procedures. Unless otherwise provided for by the legal provisions in force, candidates or tenderers from the United Kingdom could be rejected" (published 19 July 2018)*

The UK no- deal exit guidance set out the impacts on a wide range of topics which have an implications for Midlothian residents and businesses. These guidance notes can be found here: <https://www.gov.uk/government/collections/how-to-prepare-if-the-uk-leaves-the-eu-with-no-deal>

These guidance notes have been circulated to all Heads of Service across the Council to support them in preparing their risk assessments and considering what if any mitigating steps they can take in their areas of responsibility.

2.5 An example UK Government identified risk area is food supply. Half of the UK's food and drink supply comes from within the UK, with 30% from the EU and 20% from the rest of the world. Potential disruption to food supplies immediately after a no-deal Brexit has been given regular media coverage, the UK Government says it will "look at this issue in the round and make sure that there is adequate food supply..." The retail sector is concerned about the practicalities of stockpiling food.

The Council provides food for school pupils and older people in care or requiring care at home. The manager of catering services has been in touch with her suppliers to ask what steps they are taking to address potential food shortages in the case of a no deal exit on 29 March next year. She has received a series of answers through the Scotland Excel national procurement system regarding plans to mitigate food supply chain risks which offer some reassurance that commercial businesses have plans to mitigate risks.

2.6 The Council risk manager and the cross directorate risk management group have also received some briefings in respect of procurement and facilities management from Scotland Excel.

2.7 The adult health and care directorate has assessed risks and mitigation as follows:

Risk	Assessment	Actions to Mitigate
Reliance on and retention of workers who are EU nationals	Not an immediate risk at point of no deal Brexit, but could be an increasing risk over time	Monitoring to be put in place in event of no deal Brexit to respond if pressures start to emerge
Availability of day to day food and goods is impacted by importing issues and impacts provision care services	High potential for some disruption that would impact service provision	Monitor situation and develop and implement detailed service specific contingency plans at appropriate point in time.
Availability of medicine is impacted by importing issues	Low to medium potential for risk after no deal Brexit as medical supplies are likely to be prioritised and NHS will have contingency plans.	NHS Lothian will have primary responsibility to manage risk. In the event of any shortages Adults Social Care staff would be working closely with colleagues in health to prioritise and mitigate impact of any shortage.

2.8 Over the last two years the UK Government has been preparing for all possible exit scenarios. As part of that work, Government departments have been working to smooth the UK's exit from the EU in the event of a no deal scenario to attempt to avoid adverse impacts on both individuals and businesses. The latest confidential risk assessment circulated to Councils last week by COSLA. The following planning assumptions are being provided as an overview of the potential reasonable worst case scenario should the UK leave the EU with no deal and no alternative measures in place. These planning assumptions are intended to inform further thinking in the Devolved Administrations, Local Resilience Forums, the Overseas Territories and Crown Dependencies on the local context of potential issues that may arise so that they may be reflected in their own contingency plans

2.9 The sensitive nature of planning for a no deal scenario requires that these planning assumptions are treated as such (reasonable worst case scenarios) and not shared beyond those with a critical need to know. For this reason the document has been shared with the relevant emergency planning and risk managers within the Council. The UK Government has made clear that it is imperative that the handling instructions accompanying this document are strictly adhered to.

3.0 Report Implications

3.1 Resource

3.2 Risk

This report is intended to highlight some of the risks to Midlothian Council associated with the UK decision to leave the European Union on 29 March 2019. As indicated in the body of the report all Heads of Service have been asked to consider risks on a service basis and include measures to mitigate the potential impacts in their risk registers as required.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- ☒ Community safety
- ☒ Adult health, care and housing
- ☒ Getting it right for every Midlothian child
- ☒ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☒ Business transformation and Best Value
- ☐ None of the above

3.4 Key Priorities within the Single Midlothian Plan

The Single Midlothian Plan commits Midlothian to closing the gap in economic circumstances between residents in the area, and between Midlothian and the rest of Scotland. Loss of EU funds may be a setback to achieving this goal, depending on what alternative arrangements are brought forward over time by the UK and Scottish Governments.

It is impossible at this stage to judge the wider impacts until the form of exit that is to be undertaken has been clarified. A proposed UK Shared Prosperity Fund as replacement for EU funding has been consulted on by the UK Parliamentary group on post-exit funding. The response submitted by the Council to this emphasised that the principle of subsidiarity should be carefully considered, with a basic presumption of devolution of funds to local democratically accountability structures (Councils or other bodies where local elected members represent the public such as Community Planning Partnership or City Deal Boards).

3.5 Impact on Performance and Outcomes

It is not possible at this stage to assess the impacts on performance and outcomes.

3.6 Adopting a Preventative Approach

Identification of risks and what steps can be taken to mitigate these is being undertaken, but there are real challenges when it is not clear what form of exit will take place.

3.7 Involving Communities and Other Stakeholders

This report is an analysis of some of the potential impacts on Midlothian of the UK leaving the EU, but as the position clarifies, there will be a role for the Council in supporting organisations, businesses and communities through the changes in funding, regulation or other issues that may follow.

3.8 Ensuring Equalities

The loss of ESF employability programmes will have a direct negative impact on disadvantaged local residents if there is not a replacement of these funds from other UK or Scottish sources. More generally, the Council will need to consider the impacts on the communities of Midlothian as the details of the new post EU arrangements are clarified. The position of EU citizens and their right to remain and to work has been clarified in the deal proposed by the UK Government, but great uncertainty remains.

3.9 Supporting Sustainable Development

The loss of EAFRD in particular will impact negatively on the sustainability of the local environment if there is not a replacement of these funds from other UK or Scottish sources such as the proposed shared prosperity fund. This is a matter that the Council will need to keep under review.

3.10 IT Issues

Despite the Repeal Bill the new EU General Data Protection Regulations (GDPR) will still apply going forward if the UK Government deal is adopted.

4.0 Recommendations

Council is recommended to:

- (i) Note this updated analysis of the potential impacts on Midlothian of the UK leaving the European Union.
- (ii) Ensure that the risks to Midlothian brought on by the exit process are recorded and managed through the Corporate Risk Register.

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Background Papers: Appendix 1 EU Settlement Scheme (EUSS)

Appendix 1

06 November 2018

"Dear Chief Executive

The EU Settlement Scheme (EUSS) will secure the rights of EU citizens and their family members living in the UK. The application process for the EUSS will start in March 2019 and people will have until 30th June 2021 to apply. The process will predominantly be online and applicants will be able to access and complete their applications using a computer, tablet or smartphone. COSLA has been working with the Home Office to ensure those without the ability to use or access online methods are able to complete their applications. The Home Office has commissioned We Are Digital to provide an assisted digital service for the EUSS application process. Each applicant for the digital access service will go through a helpline and will then be assessed for one of three delivery mechanisms: over the phone (currently from Migrant Help call centre); face to face support in a local centre (e.g. library or community centre); and, in home tutor visit (from the We Are Digital Network). They are currently projecting that 10% of applicants will require support through this service, 50% of those using the face to face support in a local centre. This is a best guess by the Home Office as there has never been a processes on this scale or scope before.

At the moment, the We Are Digital library/local centre service is primarily based in England and Wales and will need to be rolled out in Scotland. The Home Office and We Are Digital have approached COSLA to seek the views of Scottish councils being involved in providing a similar service in Scotland for the EUSS. There will be training and funding attached to providing this service. According to We Are Digital, funding will be based on each session booked and likely be £20-25 per 45-minute session. Full training for staff will be provided by We Are Digital in the form of a webinar training session that can be shared amongst staff and local branches, and pre-recorded videos. Training Packs will be provided to centres with details on set up and delivery with FAQs, etc. We Are Digital are supportive of local authorities indicating the best location for this service. We Are Digital is developing their website and further information material, which I can forward on when ready. COSLA is also looking at the possibility of We Are Digital providing workshops/ further information sessions in Scotland.

The Home Office have not provided unlimited funds for this service, so We Are Digital are anticipating prioritising locations based on EU population and digital exclusion.

If you are interested in receiving further information about this service, please contact me.

Best wishes,

Lorraine.

Lorraine Cook

Policy Manager | COSLA Migration, Population and Diversity Team"