

Contingency Planning: Concurrent Supply Issues**Report by Derek Oliver, Chief Officer - Place****Report for Information****1 Recommendations**

The PRS EU Exit Sub Committee is recommended to:

- note the attached Report
- note that the EU Exit Working Group will reconvene as and when new and relevant post EU Exit issues emerge. The matter is currently part of the Risk Management & Resilience Group agenda.

2 Purpose of Report/Executive Summary

The purpose of this report is to provide the PRS EU Exit Sub Committee with a report into the Council's current contingency for business interruption due to supply issues relating to Brexit and any other combination of issues including Covid.

Date 14 January 2022**Report Contact:**

Derek Oliver, Chief Officer – Place
derek.oliver@midlothian.gov.uk

3 Background

- 3.1 The EU Exit Working Group produced a register of potential impacts on the Council on the basis of a “Hard Brexit”, ie no withdrawal agreement. This ensured that the risk of significant impacts on the operations of Council services were minimised by evaluating, assessing and implementing practical controls of potential issues.
- 3.2 However, on 24 December 2020, the European Union and the United Kingdom reached an agreement in principle on the EU-UK Trade and Cooperation Agreement (TCA). On 30 December 2020 this was signed off by the President of the EU Commission on behalf of EU and voted for by the UK Parliament. The impacts of this deal continue to be discussed and some areas remain to be confirmed. The wider implications may take some time to determine and are proving difficult to distinguish from the ongoing Covid-19 impacts.
- 3.3 The EU-UK Trade and Cooperation Agreement concluded between the EU and the UK sets out preferential arrangements in areas such as trade in goods and in services, digital trade, intellectual property, public procurement, aviation and road transport, energy, fisheries, social security coordination, law enforcement and judicial cooperation in criminal matters, thematic cooperation and participation in Union programmes. It is underpinned by provisions ensuring a level playing field and respect for fundamental rights.
- 3.4 While it will by no means match the level of economic integration that existed while the UK was an EU Member State, the Trade and Cooperation Agreement goes beyond traditional free trade agreements and provides a solid basis for preserving our longstanding friendship and cooperation. The Trade and Cooperation Agreement was signed on 30 December 2020, was applied provisionally as of 1 January 2021 and entered into force on 1 May 2021.
- 3.5 In terms of the functions and responsibilities of Midlothian Council, it is reasonable to make a number of assumptions based on emerging issues.
- 3.6 **Resource:** There has been an increased burden placed upon Environmental Health within the Council in relation to import and export regulations. This relates specifically to the increased requirement for Environmental Health Certificates however there are other aspects of regulatory control that require resource. The creation of Protective Services from a service review and suitable capacity built into the service review has mitigated against the risk of resource within Environmental Health in Midlothian Council.
- 3.7 **Legal:** One area of change is Procurement as the use of Open Journal European Union (OJEU) has ceased for new contracts. Data is

continuing to flow freely to the UK and Europe following agreement by the EU to adopt “data adequacy”.

- 3.8 **Supply Chain:** Impacts are being realised albeit currently controlled through Scotland Excel procurement network, together with contingency budgets factored into construction projects and vehicle/material replacement programmes. There is likely to be further impacts on construction and vehicle replacement progress should costs of construction materials, vehicles (and constituent parts) and supplies continue to rise. This is not solely related to EU Exit.
- 3.9 **Community:** (Equality, Poverty, Rural). There were anticipated wider community implications in terms of a potential population decrease brought about by the end of freedom of movement and the introduction of new immigration rules. This in turn could have an impact on our workforce and the provision of services. As it happens, this has been negligible. The potential for customs delays and supply chain disruption was anticipated to lead to a rise in inflation and the subsequent knock on effects in the costs of living and foodstuffs. Inflated costs are not solely related to EU Exit.
- 3.10 **Climate Change:** As set out in the TCA, the EU and UK have reaffirmed their ambitions of achieving economy-wide climate neutrality by 2050. They have also agreed not to weaken or reduce, in a manner affecting trade or investment between the Parties, their environmental levels of protection or their climate level of protection below the levels that are in place at the end of the transition period. Both parties shall continue to strive to increase their respective environmental levels of protection or their respective climate level of protection. Whilst this may appear to be a full commitment to non-regression in all climate and environmental standards it does seem to pivot on trade and investment concerns which could potentially be a loophole if one party wants to reduce targets that do not reflect a trade or investment position. Regardless, Midlothian Council is aspiring to be, and working towards, net zero by 2030.
- 3.11 **Risk:** Each Service within Midlothian Council has identified specific service risks and mitigations that will inform their business continuity plans. This is an ongoing process to review the implications of the TCA as new information becomes known. This in turn informs the strategic risk register. The move from convening the EU Exit Working Group to the Risk Management & Resilience Group is a response to the current civil contingencies risk landscape. The concurrent risk landscape is unparalleled as there has been, and remains to be, a high risk of having to respond simultaneously to multiple incidents, including public health restrictions and/or further waves of Covid, or an associated variant strain; periods of severe weather with associated disruption to the Council, critical infrastructure in the county; and an incident involving direct care for people, such as fire, flooding or other cause leading to displaced people. This in addition to the emerging impacts of the UK’s

withdrawal from the EU.

- 3.12 As the Officers of Midlothian Council control risk and monitor new and emerging issues, there are concurrent aspects at play. The attached King's College of London report illustrates the mixed factors from these different sources. Whether Covid and/or EU Exit impacts, the report explores the extent to which current problems in the UK economy are solely down to post pandemic disruption or are the result of the altered terms of trade and labour mobility with the EU.



Covid or Brexit.pdf

4 Summary of Ongoing Actions

- 4.1 Businesses are being updated and assisted by Business Gateway, Economic Development, Chambers of Commerce and Federation of Small Businesses. HMRC and Industry bodies continue to advise businesses to be aware of their new obligations. The UK Government, Scottish Government and Midlothian Council all maintained up to date information on websites and signposted accordingly.
- 4.2 Midlothian Council, as part of wider resilience partnerships, continues to work on preparedness/response to emerging issues whilst taking concurrent issues on board to ensure business continuity and organisational readiness is maintained at all times.