

BREXIT RESPONSE TEAM

Report by Corporate Transformation & Services Director

EXECUTIVE COMMITTEE

31 January 2017

1 PURPOSE AND SUMMARY

- 1.1 This report proposes the establishment of a Brexit Response Team in order to ensure that the Council effectively monitors and responds to the wide range of changes likely to flow from the UK's exit from the European Union.
- 1.2 On 23 June 2016 the UK voted in a national referendum to leave the EU. The main implications of the UK vote to leave the EU relate to agriculture; access to major funding for economic development; access to the Single European Market for trade purposes; uncertainty of the status of the EU nationals living in the Scottish Borders.
- 1.3 Both Scottish Government and UK Government have now published reports on their positions with regard to Brexit. Given the importance of the implications of Brexit for the Scottish Borders, it is proposed that a Brexit Response Team is established in order effectively monitor and respond to the wide range of changes likely to flow from the UK's exit from the European Union.

2 RECOMMENDATIONS

2.1 I recommend that the Executive Committee:

- (a) Notes the recent meeting held with the Scottish Government's Minister for UK Negotiations on Scotland's Place in Europe and local business representatives;
- (b) Agrees that the Council establishes a Brexit Response Team to ensure that it can effectively monitor and respond most effectively to the wide range of changes likely to flow from the UK's exit from the European Union; and
- (c) Agrees that the Community Planning Partnership's Economy & Low Carbon Project Delivery Team acts as a coordinating group for sharing Brexit issues and responses across the Scottish Borders.

3 BACKGROUND

- 3.1 On 23 June 2016 the UK voted in a national referendum to leave the EU. The main implications for the Scottish Borders of the UK vote to leave the EU relate to:
 - Financial issues for the agricultural sector and for rural, regional and local economic development arising as a result of losing access to EU funding streams in the longer term;
 - Significant number of export orientated businesses in the Scottish Borders needing continued access to the Single European Market for trade purposes; and the requirement to secure satisfactory trade agreements with countries outside the EU to make up for any loss of access to markets within the EU;
 - Uncertainty of the long term status of the approximately 3,500 EU nationals living in the Scottish Borders;
 - Lack of access to major funding for economic development that may have arisen through the Southern Scotland NUTS 2 proposal.
- 3.2 In the absence of EU Funding Programmes, there will be a need for a much stronger regional policy in both the UK and Scotland. This should not just focus on cities and the Highlands and Islands but should also address other areas of need, such as the South of Scotland. The Council Leader wrote to the Prime Minister outlining the concerns of Scottish Borders Council and local businesses, and requesting that these be addressed.

4 IMPLICATIONS

- 4.1 Since the vote, the UK Government has taken actions which have sought to mitigate some of these issues. It has announced continued support for the farming sector on the same basis as the EU Common Agricultural Policy (CAP) up to the end of 2020. Funding commitments have also been given for EU funded structural and investment projects which continue after the UK has left the EU.
- 4.2 A meeting with Mr Michael Russell, MSP, the Scottish Government Minister for UK Negotiations on Scotland's Place in Europe, was held on 14 December 2016. The meeting involved local business representatives as well as senior Councillors. It provided a useful opportunity for the Minister to hear the concerns of the Council, as well as the specific concerns of local businesses in the manufacturing, food & drink and agriculture sectors. Currency exchange and workforce challenges were the key issues flagged up by the business representatives.
- 4.3 On the 20 December 2016, the Scottish Government published its proposals on Brexit 'Scotland's Place in Europe'. On the 17 January 2017 the Prime Minister, Theresa May, set out her 'Plan for Britain'. This included the priorities that the UK government will use to negotiate Brexit with the EU.

5 BREXIT RESPONSE TEAM

- 5.1 Given the importance of the implications of Brexit for the Scottish Borders, it is proposed that an internal Brexit Response Team is established in order to ensure that the Council effectively monitors and responds to the wide range of changes likely to flow from the UK's exit from the European Union. This team would have a representative from each of the main service areas likely to be affected by Brexit. Initially this would include Economic Development, Finance, Regulatory Services, Procurement, Human Resources and Legal. Over time, other relevant services would also be added as more details of the Brexit changes emerge.
- 5.2 In order to ensure that data and intelligence on Brexit issues is being shared between Community Planning Partners, it is proposed that the Community Planning Partnership's Economy & Low Carbon Group acts as a coordinating group. They will ensure that Brexit issues, responses and emerging good practice are shared appropriately between partners.
- 5.3 It is also important that the Council continues to capture the issues and risks that local businesses are concerned about in relation to the Brexit process. There is the potential for many businesses in the Scottish Borders to be affected by Brexit, not just those that are exporting to the EU or those which rely on EU nationals in their workforces. The Council will continue to lobby at the highest level to ensure that the needs of local businesses, and their employees, are understood and inform the Brexit process. The Scottish Government's Enterprise & Skills review is a positive opportunity to establish an early position on Brexit issues for the Scottish Borders and South of Scotland.
- 5.4 There are two immediate actions that are proposed to help support local businesses in the Brexit period. The first is that Business Gateway will promote the Council's interest in this issue and support businesses as they seek to respond to Brexit. The second is that the Council, working with Scottish Enterprise, will hold sectoral discussions to better understand the different issues arising for key sectors. This will ensure that the Council is as well informed as possible about the risks facing local businesses and able to lobby and influence most appropriately.

6 IMPLICATIONS

6.1 Financial

The announcement by the Chancellor of the Exchequer in relation to EU funding is likely to minimise possible financial implications to the Council of the various European projects not being able to be fully completed by the time UK leaves the EU. However, the future implications of the loss of this European funding are significant for the Scottish Borders and the Council and its partners need to continue to lobby Scottish and UK Governments to ensure that an appropriate national regional policy framework is put in place to support areas of need, such as the Scottish Borders. Agriculture is a good example, where the most recent Common Agriculture Policy (CAP) figures indicate that the area's farming community receives agriculture payments of over £61.5 million annually, representing about 3.2% of Scottish Borders Gross Domestic Product (GDP).

6.2 **Risk and Mitigations**

(a) There could be significant risks to the economy of the Scottish Borders if the concerns arising from referendum vote are not dealt effectively during the Brexit negotiations. This risk is mitigated by continuing to monitor the situation and to lobby Scottish and UK governments as appropriate.

(b) There could be risks to Council operations depending on the outcome of the Brexit negotiations. The establishment of the Council's Brexit Response Team and also the coordinating role taken on by the Economy & Low Carbon Project Delivery Team will mitigate these risks.

6.3 **Equalities**

The vote to leave the EU has led to insecurity for part of the population of the Scottish Borders i.e. EU nationals, and this needs to be monitored. There is the potential for a wider range of equalities impacts to arise during the Brexit process and this will be assessed as further information becomes available.

6.4 **Acting Sustainably**

There could be significant impacts on the economy, community or environment arising from changes in legislation resulting from the decision by the UK to leave the EU. These impacts will only become clearer once negotiations commence.

6.5 **Carbon Management**

There are no direct effects on carbon emissions arising from the proposals contained in this report.

6.6 Rural Proofing

The decision to leave the EU could have significant implications on agriculture and development support for rural areas in the Scottish Borders.

6.7 **Changes to Scheme of Administration or Scheme of Delegation**There are no changes to be made to either the Scheme of Administration or the Scheme of Delegation as a result of the proposals contained in this report.

7 CONSULTATION

7.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted and their comments incorporated into the report.

Approved by

Rob Dickson
Corporate Transformation
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Signature	
Signature	

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Background Papers: None

Previous Minute Reference: None

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