

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE21 February 2019Report by ClerkNATIONAL EXTERNAL AUDIT REPORTWITHDRAWAL FROM THE EUROPEAN UNION – KEY AUDIT ISSUES
FOR THE PUBLIC SECTOR**PURPOSE OF REPORT**

1. To provide information on the Audit Scotland report *Withdrawal from the European Union – Key Audit Issues for the Public Sector*.

RECOMMENDATION

2. It is recommended that the Committee considers the report.

BACKGROUND

3. A copy of the Audit Scotland report *Withdrawal from the European Union – Key Audit Issues for the Public Sector*, published in October 2018, has already been circulated to all Audit and Scrutiny Committee Members. Under the Committee's specialisation arrangements, the Members leading the review of this particular report are Councillor Miller and Councillor Grant. The Chief Executive has provided comments on the report and a copy of that feedback is attached (see Appendix).

RECOMMENDATION

4. It is recommended that the Committee considers the report.

Local Government Access to Information Act 1985

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Background Papers:-

1. Audit Scotland report *Withdrawal from the European Union – Key Audit Issues for the Public Sector*

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EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE21st February 2018Report by Chief ExecutiveEAST RENFREWSHIRE COUNCIL'S RESPONSE TO AUDIT SCOTLAND REPORT –
WITHDRAWAL FROM THE EUROPEAN UNION REPORT**PURPOSE OF REPORT**

1. The purpose of this report is to provide East Renfrewshire Council's response to key audit issues for the Scottish Public Sector raised in the Audit Scotland - Withdrawal from the European Union Report; circa October 2018.

RECOMMENDATIONS

2. It is recommended that the Audit and Scrutiny Committee note:
 - the key issues raised in the Audit Scotland Report;
 - the Council's responses to the key questions for public bodies raised in the report, based around Audit Scotland's themes of, 'people', 'finance' & 'rules and regulations';
 - Audit Scotland's plans for audit over the short and long term; and
 - The Council's preparedness for Brexit.

BACKGROUND

3. The UK will leave the European Union (EU) on 29th March 2019. If the UK Government and the EU agree terms for the withdrawal before this date; there will be a transition period until the end of 2020. In the event of a 'no deal' Brexit, there will be no transition period.
4. Audit Scotland advises that withdrawal from the EU comes at the same time as the significant expansion of the Scottish Parliament's powers, rising demand for public services and continued pressures on public sector budgets.
5. The report presents Audit Scotland's view of key issues that withdrawal from the EU presents to public bodies, at October 2018. It raises questions that councils should be considering in the run up to 29th March 2019 and finally sets out Audit Scotland's plans to reflect withdrawal from the EU in their audit work.

REPORT

6. Some of the key issues for public sector bodies are set out below and reflect Audit Scotland's plans for its future audit work.

7. The UK's exit from the EU is likely to result in changes to the rights of non-UK EU nationals who live, work and study and access services across East Renfrewshire. The Council's responses, stated below, demonstrate how we plan to communicate, support and respond to implications that may affect local work forces when the UK leave the EU.
8. Under the finance theme, Audit Scotland states there is little clarity about what will happen to funding streams in the longer term. Any changes to funding will affect public bodies and potential implications or loss of EU funding continues to be reflected in long term financial planning. Our response to Audit Scotland's questions under this theme lays out the work the Council is doing to ensure EU withdrawal has the minimum impact on our funding.
9. All public bodies have to comply with EU regulations such as employment law, health and safety legislation and procurement rules. The EU (Withdrawal) Act 2018 means that from 29th March 2019, EU law will no longer take precedent over UK law. However; the Act copies most European law into UK law, meaning that the existing legal framework will continue and the impact on bodies is expected to be minimal.
10. The information within this report sets out Audit Scotland's key questions for public sector bodies under each of its themes and the Council's response to each theme.

PEOPLE

11. The EU Settlement Scheme will allow EU citizens and their families to continue to live and work in the UK, if they meet the requirements and want to apply. Public bodies have been working hard to understand the immediate and longer term implications of EU withdrawal on their workforces. East Renfrewshire Council is no exception. Work has been undertaken to understand the nature and impact that leaving the EU will have on those employees who are EU citizens living and working here. Fifty two Council employees have been identified as non UK-EU nationals. These employees will need to apply to the EU Settlement Scheme to continue to live and work in the UK; however the Government has now announced that the EU Settlement Scheme fees have been scrapped and that there will be no cost for employees or citizens who need to apply.
12. The Council will signpost employees to the Home Office application process and will use Home Office materials to do so. It has been agreed that communications will be made generically to the workforce and managers will be asked to cascade the information. This is to ensure that no employee is missed and to also ensure employees who have family members who are EU nationals, are also aware of the changes. In addition departments will speak to employees who have been identified as EU nationals to ensure they understand the application process.
13. The Home Office has developed an employer's toolkit and a Local Authority toolkit is also under development. The information contained in these will form the basis of all communications with employees and a Communication plan has been developed, which will be launched in February 2019 to update managers and employees on the EU Settlement Scheme. This will be communicated via email, intranet and posters where appropriate.

14. The Home Office has also launched up to £9 million of grant funding, available to voluntary and community sector (VCS) organisations to help vulnerable or at-risk EU citizens needing additional support when applying for the EU Settlement Scheme (EUSS). East Renfrewshire Culture and Leisure Trust (ERCL) is submitting a proposal as to how they can support the diversity of needs of an EU citizen population to make their EUSS applications through the local libraries. "WeAreDigital" provided the service in England and Wales and are looking for organisations to provide this support on their behalf in Scotland, ERCL have signed a memorandum of understanding with them. The application period for bids closed on 1 February 2019. If successful this service will also be promoted to employees.
15. It is difficult at this time to know what affects leaving the EU will have on East Renfrewshire's long term workforce planning. However the Council continues to work to understand the impact on its workforce and those who provide services with and on its behalf.
16. There are workforce implications for third and private sector organisations that provide services in partnership with us or on our behalf. Whilst it is not possible to know the full extent of the impact at this time, work has been ongoing locally with our employability team, WorkEastRen and local employers to further explore workforce resilience and retraining of the local workforce. The end of Free Movement on Brexit should not affect existing people from the European Union working here and will not prevent them from continuing in their paid roles, however; they will need to establish their immigration status by July 2021. There is some concern around volunteers. The position is less clear as they do not derive income from their charity work or any other funds. They may qualify economically as self-sufficient, but will have to prove access to funds if they are to remain in the UK.
17. The area within the Council workforce with the highest number of EU nationals is the Education department. For teaching, there may well be an impact on supply teacher numbers. However, it is not expected to impact on the quality of provision. Nationally there will be a need to ensure the appropriate numbers of teachers are trained with a focus on retention within the teaching profession. There is not expected to be any risk to Facilities Management as there are regular recruitment events where there is a high volume of applicants to fill all positions.
18. From a social care perspective, work has been undertaken locally and we are engaged with WorkER to look at opportunities for further collaboration; making care an attractive career choice for people, both in terms of school leavers and individuals who have taken a career break for caring or other family reasons. We are also placing greater emphasis on creating opportunities to design and organise care services at a locality level, which will support the local economy, and may go some way to addressing any short term uncertainty around EU withdrawal.
19. East Renfrewshire has a service based economy, which does not appear to have a high dependency of EU nationals. We continue to engage with local businesses and suppliers to evaluate risks to areas such as homecare and will encourage them to promote the EU settlement scheme to mitigate against any impact of EU withdrawal.
20. We continue to reflect implications for the local workforce in our economic strategies by consistently reviewing workforce needs. Through our commissioning strategies and locality planning processes we are already anticipating changes to the workforce as a consequence of known changes to our demography. We will continue to look at how we will contract for services locally to create a more sustainable market.

FINANCE

21. EU funding provides direct support for many areas. There is little clarity about what will happen to funding streams in the longer term. EU funding streams are dedicated to specific activities and can be targeted at specific geographic areas. Audit Scotland advises that this may change in the future and by way of example states, if any replacement funding is to be incorporated into the Scottish Government's block grant; it will be for the Scottish Government to decide whether to protect funding that is currently ring fenced for specific activities/areas.

22. The financial risks to local authorities are considered to be significant due to the nature of some EU funding streams, namely, ESF funds. This is because local authorities match fund 50% contributions against that funding.

23. East Renfrewshire Council's level of funding from the EU at this juncture is split across European Social Fund, European Regional Development Fund, and the LEADER programme as follows:

Phase 1 – December 2015 – December 2019

- European Social Fund - £1,471,250
- European Regional Development Fund - £160,000
- LEADER Programme - £1.1m (shared between East Renfrewshire Council, Inverclyde and Renfrewshire Council on a project needs basis)

Phase 2 of the European Programmes – January 2019 – December 2022

- European Social Fund - £1,566,740.00
- European Regional Development Fund - £160,000

24. East Renfrewshire will continue with projects associated with this grant funding until expiry of the respective scheme. However, following Brexit we will be unable to apply for any new EU funding. It is not known at this time whether the UK Government plan to provide this kind of grant funding in the future.

25. Whilst it is known that the third sector receives funding directly from EU institutions, it is unclear what impact a 'no deal' Brexit would have on future funding opportunities for the sector.

26. East Renfrewshire Council has, for many years, undertaken long term financial planning and is factoring in any potential implications prompted by the outcome of Brexit, during this period. The Council and the Corporate Management Team will continue to:

- closely monitor developments;
- assess the potential impact withdrawal from the EU will have on our organisation; and
- put in place plans to take appropriate action as required.

27. East Renfrewshire Council continues to be in dialogue with UK and Scottish Governments and COSLA about a 'Prosperity Fund' to replace European Structural Funds. Whilst this is in its infancy there has been no detail, to date, on budgets, eligibility criteria, individual local authority share etc.

RULES AND REGULATIONS

28. Audit Scotland state that EU rules and regulations will affect all public bodies, with the most significant being trade and custom rules, which influence the cost and availability of supplies from EU countries. If the UK Government and EU do not agree trade arrangements before the end of March 2019, goods entering the UK will be subject to additional customs checks and trade tariffs. This could, in effect, lead to an increase in food prices and affect budgets, for example, in schools.
29. Audit Scotland ask what the potential implications of changes to trade and customs rules to our supply chains and the cost and availability of products and services could be in East Renfrewshire.
30. EU regulations/legislation that is directly relevant to the Council covers the majority of Trading Standards and Environmental Health Legislation. The EU (Withdrawal) Act 2018 copies most European law into UK law and it is expected that the relevant amendment regulations will take care of the transition of EU legislation. The situation in relation to consumer rights in the event of a deal being reached is that consumer rights will be covered under the withdrawal agreement until it ends. Things may well be different in the event of a no deal and East Renfrewshire Council will continue to have a key role in providing advice to local business.
31. Audit Scotland asks what impact potential changes to regulations/legislation would have on how we deliver services and our service users.
32. East Renfrewshire Council and its Partners continue to plan for the possibility of the UK Government and EU failing to reach an agreement on arrangements for the UK's exit from the EU. East Renfrewshire Crisis Management and Resilience Team will lead on critical areas of work and consider all possible scenarios to mitigate risks to the Council and its services. East Renfrewshire's Chief Executive and the Chair of the Crisis Management and Resilience Team attended the West of Scotland Resilience Workshop in early February 2019 and will continue to monitor the situation in line with UK and Scottish Government guidance.

CONCLUSION

33. Although the outcome of Brexit negotiations is not yet clear and there may be a "no deal" Brexit, the Council will continue to assess the potential impact withdrawal from the EU will have on our organisation. Whilst the uncertainty has created challenges, we will continue to identify specific risks and develop plans to respond to them through our Crisis Management and Resilience Team and Civil Contingency Planning processes. The Corporate Management Team and the Council is as prepared as far as possible for potential outcomes discussed in the Audit Scotland Report.
34. The impact of EU withdrawal will feature in Audit Scotland's work plan for the foreseeable future. It is planned, in the short term to report on public bodies responses to withdrawal from the EU as part of the 2018/19 audits. Audit Scotland's planned performance audits will consider the impact of withdrawal from the EU where relevant. 2019 audit is likely to include challenges, performance, skills, planning and investment. A longer term work programme, for the five years from 2019/20, will include specific performance audits on arrangements following withdrawal from the EU.

RECOMMENDATIONS

35. It is recommended that the Audit and Scrutiny Committee note:

- the key issues raised in the Audit Scotland Report;
- the Council's responses to the key questions for public bodies raised in the report based around Audit Scotland's themes of, 'people', 'finance' and 'rules and regulations';
- Audit Scotland's plans for audit over the short and long term; and
- The Council's preparedness for Brexit.

Lorraine McMillan, Chief Executive
February 2019

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