European and External Relations Committee

The EU referendum and its implications for Scotland

Written submission from North Ayrshire Council

Brexit – The Implications for North Ayrshire

Introduction

At the EU referendum vote on the 23 June 2016, the UK voted to leave the European Union. The vote to leave the EU has added considerable political and economic uncertainty to the UK outlook. Both the value of the pound and the FTSE share index dropped rapidly in wake of the vote and the Bank of England subsequently reduced interest rates in an attempt to bolster the economy. Whilst there is a new Prime Minister, there is yet, no timetable for triggering Article 50 of the Lisbon Treaty (which is the route to trigger an exit from the EU by any member state). Once Article 50 is triggered there will be a two year negotiation period, although this can be extended by agreement of the member states.

Leaving the EU will be a complex process, made more difficult by the fact that the UK has not had a trade negotiation capability of any note since the 1970s. EU legislation is embedded in UK law and has been built upon over forty years of regulations, directives and agreements, blurring the legislative line between the UK and EU. The government will need to decide how to opt out of each element and what alternatives will be put in place. This could well tie up parliamentary time for years.

Another uncertainty to contend with is the issue of whether there will be another Scottish Independence Referendum. Whilst the UK voted leave 62 percent of Scots who voted, voted to Remain. Whilst the Scottish Government has not yet announced whether they intend to hold another referendum, they have said it is unacceptable that Scotland be removed from Europe against its will.

Against this backdrop, the potential implications for the Council and North Ayrshire are explored in more detail below:

Procurement

There are a number of European procurement regulations that apply to Local Government. No changes to the regulations are expected in the short term, whilst an EU exit is being negotiated. Longer term, as the UK will want to ensure access to EU markets, it is unlikely that public procurement will become deregulated. Furthermore, EU measures have been incorporated largely into domestic legislation, so whilst there may be a need to update, to reflect changing dynamics, it is unlikely that there would be a total dismantling of the procurement regime.

Environmental regulations

The EU is credited with driving forward and advancing recycling and waste management matters. Indeed, much of the UK legislation on waste and recycling was developed to reflect EU Directives. However, there is cross party political
support within the UK on waste reduction, particularly in Scotland where we have zero waste targets. There will however, be a need for some legal amendments to major pieces of UK legislation, such as the Environmental Protection Act 1990, where they relate back to EU matters.

**Housing**

Recent research on housing suggests that the UK needs to reach at least 250,000 new homes each year, for sale or rent, to meet housing demands. So far this need is predominately being met by private house builders and developers. It is already acknowledged that within North Ayrshire, challenges exist in attracting quality private-sector house builders into the area. The immediate aftermath of the referendum vote saw a number of developers suffer a slump in their share value (some declining by around 25%). This could lead to a lessening of private house building in the short to medium term. North Ayrshire Council has been exploring options to taking a more commercial approach to housing development. The aftermath of Brexit may make this more urgent.

Another issue to consider is that of demand for housing. It is still unclear what impact Brexit will have on Migration levels. ‘Freedom of movement’ across Europe is not defined by membership of the EU, but by our membership of the slightly bigger European Economic Area (EEA). A ‘soft’ Brexit might involve leaving the EU but staying in the EEA, so as to benefit from Europe’s free trade rules. The issue is that this would almost certainly lead to us having to keep EEA migration rules. This could leave the potential for European migration and rules about whether migrants are eligible for benefits and for housing more or less as they are now. As greater migration controls was a cornerstone of the Brexit campaign, it is difficult to see this scenario being popular.

It must be borne in mind that recent migrants are overwhelmingly accommodated in the private rented sector. Only later do some migrants (including EU migrants) manage to establish themselves, apply for and be allocated social housing. They take up only a tiny proportion (about four per cent) of new lettings each year across the UK. So the impact on waiting lists will, for several years at least, be barely noticeable except in those areas where EU migration has been very concentrated.

**Workforce matters**

A range of matters will impact upon workforce issues as many domestic employment matters come from the EU. However, even where legislation has been drawn down from the EU, it has largely been brought into domestic law. It is unlikely with all the other legislative changes required from Brexit, that changing law that does not require change, would be high on the agenda.

Where employment rights are potentially weakened is where there is an appeal to the European Law on points of interpretation, with reliance on the original wording in the specific EU directive.

A key area of impact may be on freedom of movement and EU labour laws allowing people to work across member states. As discussed above this is an area of uncertainty, but it is likely to lead to more compliance measure on employers. This is
a particular area of concern for our Health and Social Care Partnership who employ a significant number of overseas staff.

**European Convention on Human Rights**

The UK are signatories to the European Convention on Human Rights (ECHR). The ECHR sets out the rights and freedoms that people living in the member states of the Council of Europe can expect to receive. The ECHR was developed by the Council of Europe, as opposed to the EU, and the UK were instrumental in the development of the convention. Our commitment to the ECHR is not dependent upon our EU membership. However, the 2015 Conservative party manifesto gave a commitment to replace the UK Human Rights Act with a British Bill of rights.

**Data Protection**

The way in which we protect data in the UK is derived from European legislation. However, to continue trading within Europe will mean continuing to comply with European data protection laws. It is therefore, unlikely that we will see much deviation from our current guidelines. There will be a need to develop UK laws to reflect EU legislation. In terms of how we respond to this uncertainty, we should continue with our plans and activities to improve information records management knowledge and practices. Regardless of what the actual specifics of existing or any new EU law(s) say, good information records management practices are critical to compliance.

**EU funding**

EU funding is directed to areas of greatest need. In the UK, it has effectively supported rural and deprived areas, and has been a useful mechanism for re-distributing wealth in the UK. North Ayrshire Council currently has EU commitments for around £4.5 million of ERDF and ESF funding. This money supports physical regeneration, business development and employability projects. This funding is for the 2014-2020 programme. We have guaranteed funding until 2018, but it is unclear what is going to happen with the remaining two years of the programme funding. EU money has funded a wide range of projects in Ayrshire. To date there has been no indication from the UK government on any future commitment to replace EU funding in EU targeted areas.

**Investment**

With some uncertainty surrounding the UK and its economic prospects, it is possible we will see delays in, or cancellation of, investment projects. Already overseas banks are pulling funding from capital projects in London. This is likely to have knock-on effects elsewhere. It is also likely to impact on overseas companies considering investment projects in the UK. The UK will become a less attractive investment proposition, if it does not come with automatic access to EU markets.

**Agriculture and Fisheries**

Agricultural policy was an important element in the early formation of the common market, with the aims of ensuring food security and retaining a rural economy. Today
the system provides direct income payments to farmers, and links payments to food safety, animal welfare and environmental sustainability. A proportion of the funds are spent on rural development and farm modernisation. As North Ayrshire still has a sizeable rural economy, the loss of funding may have an impact on our farmers.

There is already talk about Scottish fishermen claiming exclusive fishing rights over Scottish waters. This is likely to be resisted by other Europe nations and could be used as a negotiation point in on-going talks about future UK / EU relations.

**Conclusion**

To date there are very few facts and a large degree of speculation around the impact of Brexit on the UK, Scotland and North Ayrshire. COSLA are pushing for Scottish local government access to the high level negotiations at UK and Scottish levels. Should this access be achieved, it should assist the flow of information. We will need to keep abreast of developments, and continue to monitor the situation so we can continue to prepare for the outcomes of Brexit. It would also be useful to establish a central point of contact within the Council so we can record specific evidence of impact as it arises.