



Brexit Preparations

Introduction

This briefing highlights specific workstreams where the impact of Brexit is being addressed by Orkney Islands Council.

Much uncertainty still surrounds the Brexit process, making detailed contingency planning for the outcome difficult. Whatever the outcome of Brexit negotiations, Britain's exit from the EU (European Union) in March 2019 will present considerable challenges for Orkney, the community and the Council itself. There are therefore risks to the Council in taking a fixed or definite course of action at this stage. This said, Brexit will also offer new opportunities and the Council's political leadership is keen to raise Orkney's profile both at home and abroad to secure investment and maximise income generation, thereby securing Orkney's prosperous future.

In preparation of Brexit, the Council is actively engaging with governments and partners to consider the potential effects of Brexit. There is also active engagement by the Council with other EU and non-EU countries mainly on a project by project basis and focused on Scandinavian/Arctic Circle related contacts. Orkney's economy may well feel the impact of the decision to leave the EU. Key sectors of Orkney's economy; farming, fishing, harbours and tourism could be negatively impacted by Brexit through loss of EU subsidies, adverse changes in trade agreements and fluctuations in currency values. The Council has flagged the economic uncertainty in relation to Brexit as a challenge within its risk register which is reviewed and updated on a regular basis. It will be important for the Council to develop plans to mitigate the risks identified and also exploit new opportunities where identified.

The Council is also in the process of adopting a Strategic Political Engagement Strategy, the aim of which is to achieve maximum focus in respect of political engagement to ensure the Council's key strategic priorities are vigorously promoted and achieved. The Strategy details the myriad bodies that the Council presently engages with, linking these with the Council Plan and the Local Outcome Improvement Plan. Whilst there are undoubtedly challenges ahead, the Strategy is considered key to optimising political opportunities and promoting and securing Orkney's interests.

The Our Islands Our Future Board continues to meet on a weekly basis. The Chief Executive, Leader, Deputy Leader and relevant officials sit on this Board. Owing to the fluctuating and fluid political landscape, standing items on the Board agenda include political engagement and Brexit. As part of this workstream, officers are also

presently considering various post Brexit strategies with a view to exploring what opportunities and challenges may arise and how best to position the Council and Orkney for these changes.

1. COSLA (Convention of Scottish Local Authorities)

The local government umbrella body COSLA is carrying out extensive work on behalf of all Councils in Scotland.

COSLA has been working with the United Kingdom and Scottish Governments and the advisory body (the Migration Advisory Committee) to ensure local government's voice is heard. Key issues identified by COSLA are:

- Workforce Planning: A significant percentage of staff in health and care having non-United Kingdom EU citizenship with registration of such workers having dropped since the EU Referendum. There are similar fears for teaching staff and more broadly for the local economy.

The Council's Political Leader has emphasised his support for EU nationals to stay in Orkney.

The Council's Human Resources section is currently working to develop an accurate understanding of the potential number and scope of council staff that could be affected.

- The long-term replacements for European Social and Infrastructure funding.
- The replacement legislative framework covering what is currently shared across the EU.

2. Islands Deal

The Islands Councils, through Our Islands Our Future, are presently in discussions with both United Kingdom and Scottish governments in respect of an Islands growth deal. The Islands Deal will form the basis of the next phase of an islands' collaboration which will build on the successful Our Islands Our Future campaign which commenced in 2013.

The proposals for an Islands Deal are designed to maximise our 'Islands' Advantage' and to be transformational for our economies and communities. They will strengthen and expand the important and distinct role the islands councils play in the Scottish and United Kingdom economies and enhance the international reputation of Scotland and the United Kingdom.

It is considered that the Islands Deal must be of a scale that allows us to fully capitalise on the unique opportunities our Islands have to grow existing and new economic sectors and achieve a step change in the number of well-paid and sustainable jobs available for young people. It also needs to contribute to an environment and lifestyle on the Islands that will attract a younger workforce in sufficient numbers to address the Islands severe demographic challenges. Orkney has been identified as the lead Council on the Low Carbon Innovation theme. Stakeholder workshops will be held during November to develop this further.

The islands Councils are actively pursuing a United Kingdom Government formal announcement of an Islands Deal in the Spring Statement, March 2019. As part of this process, a Stakeholder Engagement Strategy has been developed to help clarify the main project stakeholders and specify the means of engagement as the detail of the Islands Deal is developed. For example, the Islands Councils were represented at the recent Conservative and Labour party conferences.

Through the Islands Deal process, there have also been discussions regarding the future shape of the Shared Prosperity Fund.

3. Shared Prosperity Fund

The SPF (Shared Prosperity Fund) will be a new fund set up to replace EU economic regional aid after Brexit. Officers are in discussion with United Kingdom government in respect of workshops to help shape this fund. The United Kingdom government has highlighted that we have until 2022 to shape this fund.

European funding has been – and continues to be – of considerable importance to Orkney. The United Kingdom and Scottish governments have guaranteed to honour EU funding programmes until 2020. While this is welcome, we along with other councils are actively engaged in discussions with both governments on funding arrangements beyond 2020.

Orkney Islands Council has recently responded to the All- Party Parliamentary Group on Post- Brexit Funding for Nations, Regions and Local Areas.

Orkney Islands Council is seeking clarity on which funds the United Kingdom Shared Prosperity Fund will replace. Will it replace not only ERDF (European Regional Development Fund) and ESF (European Social Fund) but also EMFF (European Maritime Fisheries Fund) and rural development funding such as the LEADER Programme?

Orkney has a unique opportunity to position itself as a location for innovation and the application of experimental thinking in sustainable development in an island context. The Council would like the local economy to offer a broad range of employment opportunities in all localities.

Orkney has engaged with Structural Funds since the late 1980s and assistance through the Shared Prosperity Fund will hopefully contribute to future sustainable development in Orkney.

Council officers are presently preparing a blueprint, exploring what can, and should, be achieved through the Shared Prosperity Fund. The United Kingdom Government has also indicated political support for the principle of an Islands focussed discussion on the SPF in Scotland and this is being followed up at an officer level at present.

4. External Political Engagement

A report was presented to members at the Policy and Resources Committee on 25 September outlining the Council's 'Political Engagement Strategy'. The political leadership is actively exploring post Brexit opportunities through engagement with various external bodies.

Scotland's Arctic Strategy

In November 2017 the Scottish Government hosted an Arctic Circle Forum, 'Scotland and the New North' to further develop relations between Scottish Organisations and International Partnerships on Economic Issues.

The forum event had a heavy focus on the emerging economic opportunities linked to the opening of Arctic shipping routes and a strong desire was expressed by the industry for a facility to be developed within Scotland. Orkney was highlighted as being well situated geographically, and well placed having Europe's largest natural harbour, to meet any such need. Scapa Flow was identified in the National Planning Framework 2 (NPF2) as the Government's preferred site for an international transshipment container hub.

The political leadership has been actively engaged with the Scottish government in respect of Scotland's Arctic Strategy, emphasising the work underway in relation to the development of a LNG (Liquefied Natural Gas) distribution hub in Scapa Flow and the prospect of establishing a trans-shipment hub in Orkney. Orkney's keen interest in developing renewables and energy initiatives has also been raised.

The Political Leader has met with Scottish government to discuss Scotland's Arctic Strategy and other post Brexit opportunities. The potential for Orkney to host an Arctic Circle business conference to highlight Orkney's assets in terms of tourism and cruise ships; research and innovation; and a transshipment hub and free port were discussed.

The Political Leader and the Chief Executive attended the Arctic Circle Assembly in Iceland in mid-October where there was the opportunity to discuss and influence the Arctic Strategy with Fiona Hyslop, the Cabinet Secretary. OIC was also represented at the first Arctic Strategy Steering Group which will help shape the Strategy going forward. Scottish Government is currently carrying out a mapping exercise of existing policies – it is anticipated that a report will be published by 1 November 2018.

Nordic Council

The Nordic Council consists of 87 representatives from Denmark, Finland, Iceland, Norway and Sweden as well as the autonomous areas of the Faroe Islands, Greenland and the Åland Islands.

The Council's Political Leader was invited to address the Nordic Council at its 70th session in Norway. The session was held in the Norwegian Parliament, Stortinget in Oslo, from 30 October to Thursday 1 November 2018.

It is considered that this was a further opportunity to open up dialogue with the Nordic Council with a view to establishing a closer relationship with our Nordic neighbours.

The Organisation for Economic Co-operation and Development

The OECD (Organisation for Economic Co-operation and Development) has a global remit. OECD uses its wealth of information to help governments foster prosperity and fight poverty through economic growth and financial stability.

The OECD hosted their annual Rural Development conference in Edinburgh on 9 April to 12 April. The conference was organised with input from Scottish Government and HIE (Highlands and Islands Enterprise). Creating jobs and economic opportunity through innovation was on the agenda and was particularly pertinent in informing considerations pertinent to the Islands Deal.

The Chief Executive attended this conference which was considered a valuable opportunity to engage and learn from other Islands and remote communities and in particular the economic development work they are doing.

Commonwealth Islands Group

The Political Leader has met with and gained initial support with Ministers and Leaders from both Scotland and England to develop the concept of a grouping or commission of islands in the Commonwealth of nations.

This group would establish an avenue for collaboration and economic opportunity across the globe and realise partnership support for our many research and innovation developments.

5. Some Key Economic Sectors

Agriculture

There are major concerns across the Highlands and Islands in regard to future policy in Scotland and these were presented to the Scottish Government in May in the paper Post-Brexit implications for Agriculture and Associated Land Use in the Highlands and Islands. The paper is also being circulated to all MPs and MSPs across the H&I as well as being presented to DEFRA (Department for Environment, Food & Rural Affairs' via the Scotland Office.

In respect of the LFASS (Less Favoured Area Support Scheme), the 2018 application year will be paid (in 2019) at 100% of the current rates.

However, from 2019 the EU rules require us to either move to a new designation and scheme called Areas facing Natural Constraints or retain LFASS but reduce the payment rates to 80%. Having considered the options, the Scottish Government has decided to retain LFASS for the 2019 application year and make payments (in 2020) at 80% of current rates.

No decisions have been made for the 2020 scheme year (payments in 2021) for which the EU rules require LFASS to reduce to 20% or establish an ANC (Areas of Natural Constraint) scheme. The Scottish Government is looking at all options to mitigate against this. Civil servants have been meeting with stakeholders this month and are hoping to arrange a meeting with the Highlands and Islands Agricultural Support Group.

There is now a much clearer picture for the next couple of years than previously. However, to date, the Scottish Government has been unwilling to consider an ANC Scheme and the lack of progress towards establishing any form of replacement scheme for the 2020 application year remains a major concern. It will be important to stress the unique characteristics of support to Orkney which is very different to the Western Isles and Highland Region needs. The Chair of Development and Infrastructure has met with the Cabinet Secretary and local stakeholders to promote this issue strongly for future revised provision.

Fisheries

Orkney Islands Council's political leadership and officials have met recently with Orkney Sustainable Fisheries, recognised by Marine Scotland as the local Inshore Fisheries Group for Orkney and with members that include the Orkney Fishermen's Society. Issues discussed include:

- Future opportunities for the local fishing industry – post Brexit, community quota and sustainable management
- Islands (Scotland) Act – Opportunities for local control of fisheries
- The role of OSF (Orkney Sustainable Fisheries), OFA (Orkney Fisheries Association) and the local fishing interests within the Orkney Islands Marine Planning Partnership
- Crown Estate Pilot Scheme – Enhanced local decision making for seabed leasing

Further work is being progressed to highlight the key issues facing the Fisheries industry post Brexit.

Communities Inshore Fisheries Alliance is a national umbrella alliance representing fishing associations, businesses and coastal communities throughout coastal locations in Scotland, with some members from the Isle of Man and England. The Council's political leadership is liaising with the Alliance and supportive in general of its key principles.

Tourism

Following a key recommendation of last year's Volume Tourism Management Study, the formation of the destination management body Destination Orkney was announced. The Council had previously approved a contribution, matched by HIE, to a LEADER funded Chief Executive Officer (CEO) post and Kate Lewington was appointed in May.

Destination Orkney represents a membership of more than 500 Orkney tourism businesses. Also, Orkney Islands Council is a member of the Destination Orkney Strategic Partnership which also comprises Destination Orkney, Historic Environment Scotland, Visit Scotland, Highland and Islands Enterprise and Scottish Natural Heritage.

Destination Orkney has received feedback from members following a request for thoughts on the subject of Brexit preparations and the potential or emerging effects on Orkney's tourism industry. Destination Orkney is organising a 'Tourism

Week/Conference' in the week beginning 26 November 2018 and it is expected these issues will form part of the discussion for this week.

During March, an independently facilitated workshop enabled Destination Orkney, Visit Scotland, HIE and Orkney Islands Council Officers to review previously funded Tourism Marketing activity to help define best value activities and a more integrated approach to planning activities and campaigns during 2018/2019. Longer term planning of integrated marketing will continue with partners now that the Destination Orkney CEO has been appointed.

Work is also ongoing to prepare a draft strategic masterplan for the World Heritage Site, which will focus upon visitor management and how to resolve identified infrastructure constraints.