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AUDIT COMMITTEE REPORT

Subject: BREXIT Risk Assessment	**Purpose:** **For Approval** ☐ **For Discussion** ☒ **For Information** ☐
Prepared by: Hazel Robertson, Vice Principal – Finance and Corporate Services	**Date:** 17 November 2020

Purpose:

To provide the Committee with an update on the BREXIT risk impact assessment.

Linked to Strategic Goal: We will take a leading role in enabling an inclusive, resilient and sustainable Scotland

Executive Summary:

31 December 2020 marks the end of the Brexit transition period. It's not yet fully known what will happen after this date with regard to trade between European Union (EU) countries and the UK. For all businesses in the UK the impact is likely to be felt on:

- Taxes and duty
- Safety standards
- Personal data
- The movement of people
- The movement of goods.

Additionally the College sector may lose EU backed funding such as apprenticeship funding.

Sticking points between the two sides focus on competition rules and state aid for businesses, as well as fishing rights.

Any deal between the UK and EU would need to be ratified by parliaments on both sides, so time is running out for an agreement to be reached and to get the sign off before 31 December. This week is being described as critical to negotiations.

If there is no agreement at that point, trade between the two will default to World Trade Organization (WTO) rules - with tariffs set to be introduced on many imports and exports, which could push up costs.

The SFC Review of Coherent Provision and Sustainability provides some reference to a post Brexit environment and the need to find means to stay connected to the EU and continue the Erasmus programme, and to continue to support international partnerships and pathways. It also cites the uncertainty about funding. BREXIT is not in itself a major driver in the Review, but when coupled with the challenging financial position that some Scottish Colleges were already in,

and the effect of COVID-19 on the financial position of Colleges, the cumulative financial impact is significant. In light of the current uncertainty many of the risks have remained unchanged. A small number of the risks are recommended for closure as they have been mitigated or are no longer considered to be significant. No risks have increased in rating. One additional risk has been identified, relating to driving overseas. This is a low risk. The full assessment is attached.		
Recommendation: For members to note the update and the risk impact assessment.		
Previous Committee Approvals: N/A		
For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐

BREXIT IMPACT ASSESSMENT

Emergency Responses

Total risk rating **25**

Likelihood	1	2	3	4	5
5					
4					
3			Social unrest in the Borders Availability of business critical supplies		
2				Rationing of fuel - transport Rationing of fuel - electricity Supply of medications	
1					

Impact

Medium Term impacts

Total risk rating **29**

Likelihood	1	2	3	4	5
5					
4					
3				ERASMUS activity is impacted BREXIT affects the regional economy Supply of goods cost and delay SG emergency budget impact	
2					
1					

Impact

Longer term impacts

Total risk rating **54**

Likelihood	1	2	3	4	5
5	Unable to accept EU students				
4			Impact on universities - targeting FE		
3	Impact of procurement on social resp	EU funded credit activity withdrawn	Other funders lose EU grants Loss of residents impact on student nos	SDS apprenticeship funding lost	
2			ESF credit funded activity withdrawn Inferior quality standards for procurement Change in availability of data Changes in regulated procurement		
1		ERASMUS funding withdrawn			

Impact

Area of activity	College wide BREXIT Impact assessment
Date	17.11.2020
Review date	11.12.2020
Assessor name	Hazel Robertson

No	Uncertain event	Potential impact	Likelihood	Severity	Score	Existing position (Covid-19) impact	Further action (likelihood)	Further action (impact)	By whom
EMERGENCY RESPONSE									
2	IF business critical supplies are unavailable over an uncertain period of time	THEN the College may have to operate with restricted services and students may not be able to complete courses	2	2	4	In the current climate the type of business critical supplies would primarily be cleanliness materials / energy supply		Prioritise use of scarce resources - eg final year groups. Increase online and theory of application. Send more people out to employers for application	SLT
5	IF rationining of fuel is introduced	THEN we may suffer staff shortages and inability of students to get to our campuses	2	2	4	Given the current working environment this is no longer considered critical		Enabling students to undertake digital activity from home	R Hewitt, S Moncrieff, APs
5b	IF rationining of fuel is introduced	THEN we may suffer shortage of electricity supply	2	3	6	BCP would be invoked. Severity reduced due to lower nos on site		Buy advance supply of electricity	R Hewitt
6	IF there is a shortage of supply of medications	THEN staff or students may become unwell on campus / or unable to attend the college	2	4	8	Retain as medium risk due to potential severe consequences	Communications to staff and students about prioritising own health and staying as safe as possible	Potentially increase student support services	D Kerr / C Nairn
19	IF there is social unrest in the Borders	THEN our ability to maintain services may be adversely affected	3	3	9	BCP would be invoked. Severity reduced due to lower nos on site		Need to participate in Borders Regional Civil Contingencies group and planning	H Robertson
23	IF the transition period end with no deal in place,	THEN UK motorists would need to carry a physical Green Card as proof of third-party motor insurance cover when driving in the European Economic Area (EEA). They would need a further Green Card for any trailer too.	3	1	3	Minimal impact on eg ERASMUS		Amend procedures for overseas travel	A Jones
MEDIUM TERM									
4b	IF ERASMUS agreements are invalid	THEN agreements may be invalid and travel arrangements may be compromised				Currently no ERASMUS activity therfore close this risk			L Retallick
8	IF BREXIT adversely affects the Regional economy	THEN employers may not have the capacity to undertake commercial training.	3	3	9	Situation already challenging but employer/client engagement is maintaining training levels,	Widen client base to spread risk and access funding	Widen client base to spread risk	D McKendry
14	IF the lack of a trade agreement impacts the supply of goods and incur increased transport timescales, paperwork, and / or duty	THEN the cost of business as usual may significantly increase	4	3	12	Budget control, long term impact on financial planinng, FFR	Plan ahead for purchases	APUC have advised of potential 10% increase in cost of food. Continue to seek efficiency savings	Budget holders
22	IF Scottish government implement emergency budget and funding to the FE sector is reduced	THEN thy may be a need to plan significant reductions in activity levels	2	4	8	Plan for reduction in activity levels		Reduce expenditure	H Anderson, APs
LONGER TERM									
1	If EU-funded Credit (ESF) activity is withdrawn	THEN the College may lose 450 credits and associated funding of £135k which require a reduction in staff levels				FFR includes this financial assumption therefore close this risk			
3	IF the UK does not adopt the same quality standards, employment and legal obligations for procurement activity	THEN the College may procure goods of an inferior quality, resulting in uncertainty about safety, and risk of harm to staff and students	2	3	6	Continue to follow APUC guidance and frameworks. Contuinity of service will be more important than sustainability issues.			L Gardham
4	IF ERASMUS funding for international students is withdrawn	THEN the College may not be able to support 25 student placements in Europe.	3	1	3	Funding of £60,000 for 25 student placements is available until 2022. Negligible impact on net position as does not affect staffing levels.	Possible development of virtual activities		L Retallick
7	IF there is a change in availability of data across EU and UK	THEN there may be an impact on business continuity until revised agreements can be put in place	2	3	6	Support from DPO service to identify priority areas to address. Data which is held in other parts of EU is being moved to UK storage.			H Robertson
9	IF SDS apprenticeship part funding is lost	THEN the College may not be sustain the planned growith in provision (6 programmes £480k)	3	4	12	European funding possible up to 2021	May be offset by redistribution of funds by SFC. Likelihood factor may increase	Deliver through temporary resources if possible, which would need to be support staff. If already employed may need to have consultation about staff reductions. Tap into credit funding	SLT
10	IF other funders lose their EU grants	THEN there may be an uncertain impact on secondary income sources eg from SBC	3	3	9	Uncertain impact			
11	IF Borders College is unable to accept EU students	THEN tuiton fees may be lost				This has negligible impact due to low numbers of students. Close this risk			

15	IF there are changes in regulated procurement - ie processes for greater £50k are restricted to UK	THEN there may be restricted supply, and potential increase in cost	2	3	6	Government have provided assurances that the regulations for public procurement will continue to operate in the event of a no deal.	Notification will be received via APUC of any concerns	BCP response required if urgent loss of supply	H Robertson
16	IF the UK does not adopt the same quality standards, employment and legal obligations for procurement activity	THEN the College may not meet its social responsibility and sustainability objectives	3	1	3	Continue to follow APUC guidance and frameworks. Contuinity of service will be more important than sustainability issues.			L Gardham
17	IF Universities lose EU students and EU grants eg research	THEN Universities may look to extend their activities to further education				This is not considered to be a BREXIT specific issue therefore close	Articulation pathways being developed	Growing HND provision	APs
20	IF up to 7% of residents leave	THEN the need for employment may increase with a correspoding reduction in student numbers	3	3	9	Plan for reduction in activity levels		Reduce expenditure	

Risk Score

Likelihood						
	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
		Impact				

Likelihood		Impact		
5	Almost certain 80%	5	Critical	Substantial effect upon the objective, thus making it extremely difficult/costly to achieve
4	Very likely 60%-80%	4	Significant	Considerable effect on the objective, making it more difficult /costly to achieve
3	Likely 40% - 60%	3	Moderate	Evident and material effect on the objective, making it fully achievable only with some moderate additional difficulty or cost
2	Unlikely 20% - 40%	2	Minor	Small but noticeable effect on the objective , making it fully achievable but with some minor difficulty/cost
1	Very unlikely - less than 20%	1	Marginal	Peripheral effect upon the objective, impacting only in minor way upon achievement