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| Agenda Item |  |
| Report No |  |

**THE HIGHLAND COUNCIL**

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| **Committee:** | | **Brexit Working Group** |
| **Date:** | | **17.08.20** |
| **Report Title:** | | **Brexit and European Update** |
| **Report By:** | | **Angus MacLeod, Brexit & European Policy Coordinator** |
| **1.** | **Purpose/Executive Summary** | |
| 1.1 | The purpose of this report is to give Members a summary of Brexit and European issues relevant to Highland Council since the last meeting of the Brexit Working Group on **23 January 2020** | |
| **2.** | **Recommendations** | |
| 2.1 | Members are asked to:   1. Note the paper 2. Consider any appropriate action required | |
| **3.** | **Implications** | |
| 3.1  3.2 | In general terms it is not possible to know what the full implications of Brexit will be until a deal or no deal is confirmed. A deal could range across a myriad of options whereas a no deal will likely see the re-introduction of [Operation Yellowhammer](https://www.instituteforgovernment.org.uk/explainers/operation-yellowhammer). However, it is reasonable to make a number of assumptions based on what is known so far.  **Resource**. It is reasonable to assume that there will be an increased burden placed upon the Environmental and Trading Standards elements of the Council in relation to import and export regulations. It is also likely that there will be a wider impact on some Third Sector funding as the UK will not participate in EU Programmes 2021 – 2027. Once a definitive direction of travel is known (deal/no deal) the implications will become clearer and once the detail of the UK Shared Prosperity Fund is known then future funding arrangements can begin to be quantified. | |
| 3.3 | **Legal**. There will be change across the board in our legal standing with the EU, but clarity is still required. | |
| 3.4 | **Community**. (Equality, Poverty, Rural and Island). There could be wider community implications in terms of a potential population decrease brought about by the end of freedom of movement and the introduction of new immigration rules. This in turn could have an impact on our workforce and the provision of services. | |
| 3.5 | **Climate Change / Carbon Clever**. The EU is signed up to a Green Deal which has wider environmental considerations. It is not known whether or not the UK will look to mirror this. | |
| 3.6 | **Risk**. Brexit is recorded as CR4 in the corporate risk register and this identifies a number of areas where there will be impacts on the Council, its partners and its communities. Risk is especially high to business continuity for the Council if a no deal exit occurs, causing disruption to supply, increased demands for service, price increases and potential loss of income and with insufficient time to plan mitigation especially where Government guidance is not provided or provided very late. Brexit will result in the loss of EU funding which, if not replaced by the Government, may pose a risk to the economic and social programmes of the Council and its partners. Interest rates and exchange rates may be affected by the withdrawal process impacting on the affordability of the Council’s capital programme. Restrictions on the free movement of people could lead to skills gaps in the Council, our partner organisations and local businesses. | |
| 3.6 | **Gaelic**. Gaelic teachers and Gaelic medium teachers have been included in the Scotland only Shortage Occupation List of the UK points-based immigration system – see 6.1 & 6.2 | |
| **4.**  4.1  4.2  4.3  4.4  4.5  4.6  **5**  5.1  5.2  5.3  5.4  5.5  5.6  5.7  5.8  5.9  5.10 | **Background and Context**  The UK left the EU and entered a transition period on **31 January 2020** under the terms of the Withdrawal Agreement Bill. This period is designed to allow time for discussions to take place around the terms of any future trade arrangements with the EU. There are not expected to be any significant changes during the transition period which is scheduled to end on **31December 2020**.  The UK/EU negotiations started in **March 2020** with both parties setting out their respective negotiating positions in advance of talks, on how they see future relationships including trade. These talks are ongoing but there are some sticking points around fishing, a level playing field and the governance of any future agreement. Compromises will be needed.  On **15 June 2020** the Prime Minister Boris Johnson met with EU Commission President Ursula von der Leyen, the European Council President Charles Michel and the European Parliament President David-Maria Sassoli where it was agreed that a new momentum was needed in negotiations on the EU/UK future relationship. The Prime Minister has indicated that there is a very good chance of getting a trade deal by **December 2020**. The UK aim is to have the outline of a deal in place by the end of the summer and any deal will need to be ready by **October 2020** to allow parliaments on both sides to ratify it.  The UK Government chose not to request an extension to the transition period at the end of **June 2020**, despite an extension being supported by the Scottish, Welsh & Gibraltar Governments, the Northern Ireland Assembly and COSLA. This means that the UK will need to negotiate a new deal by **31 December 2020** or move to a no deal situation.  During the latter part of **2019** and prior to the Withdrawal Agreement Bill being agreed, preparations for a no deal Brexit were put in place (Operation Yellowhammer). The initial focus was very much around Export Health Certificates (EHC) as it was expected that there would be some form of checks at the border with the EU. Highland Council were fully engaged in this discussion and received £111,300 from the Scottish Government to assist in the EHC process. Highland Council also received £50,000 to assist with wider Brexit issues and some Vulnerable people support.  COSLA continue to monitor the situation and are looking at the options around Local Authorities restarting no-deal preparations. A no deal Brexit will require significant planning and resourcing, and it is likely that Highland Council will require external funding so that they are able to deal with it. Any decisions or directions of travel are still awaited and until there is more information available it is not possible to know what the full implications are for the Council.  **Future Trading Arrangements**  As Ministers have now formally ruled out an extension to the Transition period, checks on EU goods coming into the UK will be phased in next year to give firms time to adjust.  More detail on this was published on **13 July** **2020** in a UK Government paper entitled [The Border with the European Union](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/899991/200713_BPDG_-_Border_Operating_Model_FINAL_1320_edit.pdf). This paper outlines the three stages in **January**, **April** and **July 2021** (see 5.2, 5.3 & 5.4 below for more detail). The EU said it would implement full checks on UK exports at the **start of 2021**. This is not the finalised trade deal and it is expected there will be some form of tariffs and additional regulatory requirements.  In **January 2021** there will be basic customs requirements, such as keeping sufficient records of imported goods. Traders will also need to consider how they account for and pay VAT on imported goods. Traders will then have up to six months to complete customs declarations. UK Safety and Security declarations will not be required on imports for the first six months. Export declarations and UK exit Safety and Security declarations will be required for all goods.  From **April 2021** all products of animal origin (for example meat, honey, milk or egg products) and all regulated plants and plant products will require pre-notification and the relevant health documentation  From **July 2021** Traders moving any goods will have to make full customs declarations at the point of importation and pay relevant tariffs.    From a UK perspective this means that new border facilities will need to be built in order to process the required checks either at ports, or where there is not enough space, at inland sites. The UK Government have said that they will consult with ports about what new infrastructure was needed and where it should be located. They have announced extra funding to support the new customs infrastructure, for IT systems and for recruiting and training new customs brokers and freight forwarders. Further detail is awaited.  The **13 July 2020** also saw the UK Government launch a new [website](https://www.gov.uk/transition) advising of action needed to get ready for new rules from **January 2021**. The strapline is Check, Change, Go and the four key areas are listed at 5.7, 5.8, 5.9 & 5.10 below  The first area covers [Travelling to EU](https://www.gov.uk/visit-europe-1-january-2021) and the main points are that from **1 January 2021** you will need at least six months on your passport, travel insurance that covers your healthcare as the European Health Insurance Card (EHIC) is only valid up to **31 December 2020** and if you are travelling for business you may need a visa and other documentation dependent on which country you are visiting. Travelling for business includes going to meetings and conferences, providing services (even with a charity), and touring art or music. Your pet passport will no longer be valid, you may need additional documentation to drive in the EU and free mobile phone roaming charges will end.  The EU Settlement Scheme covers the issues around [Staying in the UK if you’re an EU citizen](https://www.gov.uk/staying-uk-eu-citizen) which is the second area highlighted.  The third header looks at the changes you will face if, as a UK citizen you are planning to [Continue living and working in the EU](https://www.gov.uk/uk-nationals-living-eu) , as each individual country has its own set of rules that cover visas, residency, travel, driving, healthcare, work, education, professional qualifications, tax, pensions, benefits, voting, births, deaths, marriage, buying property, pets, emergencies and returning to the UK  The fourth area focusses on businesses that import and export goods. This means that they will, first of all need to get an [EORI number](https://www.gov.uk/eori) to move goods between the UK and EU countries and then get [someone to deal with customs for you](https://www.gov.uk/guidance/appoint-someone-to-deal-with-customs-on-your-behalf). This means that they will need to hire a person or a business such as: freight forwarders, customs agents/brokers or fast parcel operators. There are also links on step by step guides on how to [import](https://www.gov.uk/prepare-to-import-to-great-britain-from-january-2021) and [export](https://www.gov.uk/prepare-to-export-from-great-britain-from-january-2021) goods from and to the EU from **1 January 2021**. | |
| 5.11  **6**  6.1  6.2  6.3  6.4  6.5  6.6  6.7  6.8 | Business Gateway Highland aware and will look to update their website to reflect this new information.  **Immigration and Travel**  On **13 July 2020** the Home Secretary Priti Patel released further detail on the UK’s future [immigration system](https://www.gov.uk/government/news/home-secretary-signals-britain-is-open-for-business) which is set to replace freedom of movement and will come into effect on **1 January 2021**. Further details will be published in due course but in essence it is a points-based system consisting of mandatory and tradeable points. The applicant must reach the threshold of a 70-point total and the mandatory section (50 points) consists an offer of a job by an approved sponsor at an appropriate skill level with a requirement to speak English. Whilst a number of exceptions exist there is a general minimum salary threshold of £25,600. Regional variations in the salary threshold have been rejected, although the Migration Advisory Committee (MAC) can designate a [Shortage Occupation List](https://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-k-shortage-occupation-list) (SOL), which will be exempted from the salary threshold but not the skills threshold.  The MAC have been asked by the Home Secretary Priti Patel to look at whether any amendments are needed to the existing SOL criteria and processes for determining which occupations are included. Scotland has an additional SOL list which has added some occupations to the core SOL list. The Home Secretary is keen that the SOLs are kept under regular review and updated, as proactively as possible, to reflect the changing needs of the UK labour market. The MAC have been asked to respond by the end of **September 2020**.  The new immigration system also proposes that the Immigration Skills Charge (ISC), previously applicable to non-EU workers, is introduced to apply to EU workers. This would mean that employers, who sponsor migrant workers under Tier 2 (UK visa route for skilled workers) and Intra-Company Transfer will be required to pay the ISC which is currently £1,000 per skilled worker for the first 12 months, with an additional £500 charge for each subsequent six-month period. There will be other additional personal costs for which the applicant is liable.  In **July 2020** an independent Expert Advisory Group (EAG) on Migration and Population gave an update [report](https://www.gov.scot/publications/uk-immigration-policy-leaving-eu-impacts-scotlands-economy-population-society-july-2020-update/pages/3/) on the impact of the UK Government’s proposed immigration policy changes and how these may affect Scotland. The EAG anticipate a reduction of net migration of between 30–50% in to Scotland.  The EAG report identifies that 55.9% of full-time jobs in Highland, compared to the Scottish average of 41.1%, have salaries below the £25,600 threshold and so would be unavailable to migrants. The salary threshold would seem, by default, to exclude most migrants from taking up part-time work as well.  The EAG suggest that the Scottish Government may want to consider the criteria and processes for determining which occupations are included in the Shortage Occupation List, including reconsideration of the methodology for designating shortages. They also propose that the Scottish Government have a potential channel through a proposal to adjust the points-based system and to make a case for accruing points based on taking up employment in particular areas (e.g. those facing depopulation).  In this context it is worth highlighting that in **February 2020** the Federation of Small Businesses issued a [report](https://www.fsb.org.uk/resources-page/world-of-talent---scottish-report-pdf.html) on EU immigration which identified that in business terms, Scotland was more reliant on EU workers than their counterparts elsewhere in the UK. Their research identified that 40% of small firms in Scotland employ EEA workers, compared to 26% across the UK as a whole with 45% of smaller businesses in the tourism and hospitality sector having at least one EU worker.  On a further related point, the National Records of Scotland (NRS) [mid-year population estimates from 1998 – 2018](https://scotland.shinyapps.io/population-estimates/) show that since **1998** the population of Highland increased from 208,850 to 235,540. However, the biggest population increases were in the 65 – 74 (35%) and 75 and over (36%) age groups. Although the 16 – 24 age group increased by 7% there was a reduction of 12% in the 25 – 44 age group. The NRS have identified that Highland’s population increase is driven by inward migration. | |
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| **7.** | **EU Settlement Scheme (EUSS)** | |
| 8.1  8.2  8.3  8.4  8.5  8.6  8.7  8.8  8.9  **9**  9.1  9.2  9.3  9.4 | As a consequence of the UK leaving the EU there is a requirement for EU Citizens (including EEA and Swiss citizens) and their family members (including children) to apply to the EU Settlement Scheme to stay in the UK post Brexit. EU Citizens have until **30 June 2021** to apply or **31 December 2020** in the event of a no deal.  This has been advertised nationally but Highland Council has been pro-active in communicating the process across the region. This has involved engagement with elected members and Ward Managers, literature drops, direct communications with key organisations, press releases, tweets, Facebook posts, Council website updates, advertised information sessions, seminars and presentations (physical and online) in English, Hungarian, Polish, Romanian, Greek, Spanish, British Sign Language and International Sign  The EU Settlement Scheme is available as an app on any android or apple device and Highland Council is now in possession of an ID Scanning terminal to assist EU Citizens to access the EU Settlement Scheme. This was approved by the Highland Council’s Brexit Working Group and has gone through the ICT approval process. It is ready to be sited within the Inverness Service Point in the Town House once it reopens to the public.  The most up to date figures for Highland show that the number of EU Citizens applying for EU settled status in Highland is 7,270 out of an estimated 12,000 EU Citizens in the Highland area. This gives a 60% application rate.  The numbers have shown a steady increase since **June 2019** as follows;  • **June 2019** 1,790  **• September 2019** 3,880  **• December 2019** 5,740  **• March** **2020** 7,270  It is worth noting that up until **December 2019** it was estimated that the number of EU Nationals in Highland was 9,000. If we were to operate on the 9,000 figure our % rate would be 80%. The reality is that we do not know how many EU Nationals reside in Highland  By far and away the largest grouping has been from Poland with 3,310 applications, followed by Latvia with 710 and Romania with 450.  There have also been some rule changes to Immigration that impact on the EU Settlement Scheme that widens access to victims of domestic violence or abuse. This now means that if a family member’s relationship with an EEA citizen breaks down permanently as a result of domestic violence or abuse, this, coupled with their own continuous residence in the UK, will be recognised as part of their application.  The Citizens Advice Bureau (CAB) is very active with the EUSS and is helping a lot of EU nationals across the work spectrum including cleaners, footballers, council employees, Executives, General Practitioners and clinical staff. They have also held specialist sessions with the large employers in Highland and even helped EU Nationals get jobs in the process This advice is available in any of the main 8 CAB offices as well as any of the many outreach points.    The Citizens Rights Project are providing free support to Highland Council to assist in the EUSS application process of Looked After Children.  **EU Funding Programmes**  During the period **2014 – 2020** the Highlands and Islands, as a Transition Area, participated in the European Regional Development Fund (ERDF) and the European Social Fund (ESF) programmes to the value of €207,620,000.  There have been some issues surrounding underspend & performance reserves resulting in a de-commitment from the Highlands & Islands area to the EU of €10,362,023 out of a total Scottish de-commitment of €52,221,929.  On **24th June 2020** the UK Government confirmed that they will not be seeking continued participation in European Territorial Cohesion (ETC) programmes for the **2021-2027** period. ETC, also known as Interreg, is designed to promote cooperation between member states and third countries on shared challenges and opportunities. This is at odds with the views of the Devolved Administrations of Scotland, Northern Ireland, Wales and Gibraltar, who agree that ETC is an important channel to facilitate international collaboration while proving value for money. Furthermore, the majority of ETC themes and associated responsibilities fall under devolved competencies.  The Scottish Government have stated that they remain committed to working with our European neighbours to build on the successful collaborations that have been established with partner countries over successive Interreg programming periods. A European Territorial Cooperation Programmes **2021-2027** [consultation report](https://www.gov.scot/publications/european-territorial-cooperation-programmes-2021-2027-consultation-report/pages/1/) reflects this. | |
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| **10.** | **UK Shared Prosperity Fund (UKSPF)** | |
| 10.1  10.2  10.3  10.4  10.5  10.6  10.7  10.8  10.9  **11**  11.1  11.2  11.3  11.4  11.5  11.6  11.7  11.8 | The UKSPF was first mentioned in the Conservative Party manifesto **May 2017** as a successor programme to European Structural Funds that aimed to tackle inequalities between communities by raising productivity, especially in those parts of the country whose economies are furthest behind.  The stated intention was to use the structural fund money that comes back to the UK following Brexit to create the UKSPF which will be cheap to administer, be low in bureaucracy and targeted where it is needed most.  The commitment to the UKSPF was echoed in **November 2017** in the Industrial Strategy white paper  A promise of wide consultation on the design of the UKSPF with the devolved administrations, local authorities, businesses and public bodies was made and there was a number of UKSPF stakeholder events across the country **late 2018** and **early 2019**  Assurances were then given that the final decisions on the Fund’s design would be taken during the Spending Review alongside the Budget in **Autumn 2019**. This did not happen, but it was referenced again in the Conservative Party manifesto **December 2019** as a replacement to the EU programme which would better target the UK’s specific needs, at a minimum match the size of those funds in each nation.  There have been three Parliamentary debates on the UKSPF in **May**, **June** and **September 2019** and the latest information is that it will be later this year before there is detail on the design of the UKSPF. It is still not clear what the quantum will be, the funds that will be replaced, the areas of focus or what type of delivery mechanism will be employed.  Partners across the Highlands & Islands have been proactive in trying to influence the direction of the UKSPF by responding to a number of written consultations from the UK Parliament, the House of Lords and the Scottish Parliament. Evidence has also been given to the Finance & Constitution Committee on Funding of EU Structural Fund Priorities in Scotland, post-Brexit and the most recent input was to the Scottish Government on [Replacement of European Structural Funds In Scotland Post EU-Exit](https://www.gov.scot/publications/consultation-replacement-european-structural-investment-funds-esif-post-eu-exit-scotland-consultation-report/)  The report “Replacement of European Structural Funds In Scotland Post EU-Exit” was published on **12 June 2020**. The key priorities were to ensure a close alignment with Scotland’s approach to regional economic development, ensure sufficient flexibility to reflect and respond to the different challenges, needs and opportunities in and between regions across Scotland, achieve the largest social and economic impact across Scotland, recognise the inherent differences between Scotland’s (and its regional) economy, and other parts of the UK. The views of Highlands & Islands partners are well represented.  The Steering Group that instituted the consultation on the replacement for EU Structural Funds last met on **1 July 2020** and will meet again in **September**. They have agreed that the Steering Group will now take on a developmental role in the design of the replacement funds in Scotland linked to long term challenges within the Scottish economy. These will align with other COVID 19 response measures. Four sub-groups looking at: geographies and funding metrics, governance and delivery, policy alignment & monitoring and evaluation will take this forward.  **Arctic**  Highland Council, via their membership of the Highlands & Islands European Partnership, have kept up links with the Nordic Atlantic Cooperation (NORA) which consists of partners from Greenland, Iceland, The Faroes and Western Norway.  Collaborative opportunities exist with NORA and the North Atlantic Corona Challenge **2020**, looked at innovative solutions to tackle the current Covid-19 crisis across the three strands of saving businesses, communities and lives. This took place over the weekend **29-31 May** and encouraged young persons living in the Highlands & Islands to develop their ideas. HIEP was a co-sponsor of this event  Sixty participants registered over the five participating countries and in the final, 12 team submissions were reviewed and judged by the international jury panel. The teams were mostly transnational with a few exceptions. Each team was allocated a mentor to coach and guide ideas development throughout the weekend. The outputs were presented as a 2 min video to explain the concept to the jury panel. The ideas were judged across the three criteria – originality, realism and impact.  The winning idea was developed by a Scottish (Highlands and Islands) team. It is called [Shop With Me](https://eur02.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.youtube.com%2Fwatch%3Fedufilter%3DNULL%26t%3D26s%26v%3DKMtW-dIjfJY&data=02%7C01%7C%7C11fa349c77f4455c8ecd08d807205cae%7C89f0b56e6d164fe89dba176fa940f7c9%7C0%7C0%7C637267182864467293&sdata=iN8VDHngC7K%2B%2BpLG0Ko0dFd4G054a2ZMCMuD%2B8jPD3Y%3D&reserved=0) – Face-to-Face Shopping Remotely, which provides a solution to small rural retail businesses to continue operation during the pandemic. The winners of the NORA Coronavirus Challenge will be approached by the Scottish Government Digital Directorate to look to align with another idea  The runner-up solution was developed by a Scottish-Icelandic team (including 2 people from the H&I). It is called [ParentEd](https://eur02.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.youtube.com%2Fwatch%3Fedufilter%3DNULL%26v%3DyrGtaCWZGRI&data=02%7C01%7C%7C11fa349c77f4455c8ecd08d807205cae%7C89f0b56e6d164fe89dba176fa940f7c9%7C0%7C0%7C637267182864477286&sdata=ejKKcLeXiFjQIg2RNKfrdgs0RzN6iVX7hQt4udjYAbU%3D&reserved=0) - a solution to support parents with online education for their kids.  HIE’s prizeof entrepreneurship support was awarded to a Scottish-Faroese team with their project called [Tour’st](https://eur02.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.youtube.com%2Fwatch%3Fedufilter%3DNULL%26t%3D48s%26v%3DGOuCb_fCRgs&data=02%7C01%7C%7C11fa349c77f4455c8ecd08d807205cae%7C89f0b56e6d164fe89dba176fa940f7c9%7C0%7C0%7C637267182864487281&sdata=a%2BJluSxbeeoOLvwLM5DVVgl%2BU%2FLFteDJU0N5cut78lw%3D&reserved=0) - platform that is aimed at connecting tour guides to their customers during the pandemic, whilst also creating scope for future face-to-face clientele. HIE’s Innovation Team will take the lead to identify the most appropriate support that HIE can offer to help develop this idea further to realise its commercial potential  You can also view the kick-off and final webinars, along with the winning videos on YouTube and the [website](https://www.coronachallenge.fo/).  On **20 May 2020** a new [funding call](http://www.interreg-npa.eu/news/the-npa-launches-a-covid-19-call-for-project-applications/) was published by the Northern Periphery and Arctic (NPA), specifically to focus on tackling Covid-19 crisis. Scheduled to run until 30th September, the NPA is looking to mobilise its expert community to build on the extensive e-health experience and submit project applications addressing the multiple challenges posed by the Corona health crisis. | |
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|  | |  |  | | --- | --- | |  |  |   Designation: Brexit and European Policy Coordinator  Date: 31.07.20  Author: Angus MacLeod  Background Papers: There are no background papers but there are a number of embedded links which Members may wish to explore for additional information | |