

Agenda Item	7.
Report No	CP/17/20

HIGHLAND COUNCIL

Committee: Communities and Place

Date: 25th November 2020

Report Title: Support for exporting businesses in preparation for EU exit

Report By: Executive Chief Officer Communities and Place

1. Purpose/Executive Summary

- 1.1 The purpose of this report is to update Members on the range of work by the Environmental Health team to prepare for supporting businesses to export goods to the EU as the UK nears the end of the EU transition period.
- 1.2 From 1 January 2021 the UK will be considered by the EU as a 'Third Country' for purposes of trade and businesses exporting products of animal origin to the EU and Northern Ireland will need to apply for Export Health Certificates (EHCs). The Council's Environmental Health Team are certifying officers, currently providing this service to businesses exporting to wider than the EU. There are also private providers and three new logistics hubs operating with Scottish Government certifying officers in the central belt. Some Highland based seafood exporters are expected to use the hubs; however, these businesses require the Council's attestation that their premises comply with food safety legislation.
- 1.3 The Council's current fee has increased over the past four years to £70 per EHC. Comparison with several other Councils is shown in Appendix 1 with a range of between £18.50 to £94 found. Nationally there is recognition that the fee set should support the competitiveness of Scottish companies and enable fair recovery of costs to Council in administering them. Currently there is no national fee set but there is work under development for a hybrid model of charging to set a basic charge with an additional charge depending on size of consignment and local variables such as travel and other costs. There is some uncertainty around regional demand for the Council service, but the current best estimate is around 11,000 EU EHCs in 2021.
- 1.4 The report proposes revised fees for Export Health Certificates from 1.1.21 in line with work underway nationally on the hybrid model and as set out in Appendix 2. Given the potential need to respond quickly to trade developments, Government funding and demand, delegated authority is sought for the fee to be revised if required prior to a mid-year review to report back to the Committee in August 2021. The report proposes the fee for providing supporting attestations for businesses using national hubs for EHC is also delegated.

2.

Recommendations

- 2.1 Members are asked to note:
- a) the work undertaken by officers to date, to prepare for supporting exporting businesses to the EU; and
 - b) the Environmental Health Team's role in Export Health Certification.
- 2.2 Members are asked to agree:
- a) revised fees for Export Health Certificates from 1.1.21 as set out in Appendix 2, drawing on work underway nationally;
 - b) to delegate authority to the ECO Communities and Place to set a fee for Supporting Attestations, following consultation with the ECO Resources and Finance and the Chair and Vice Chair of the C&P Committee;
 - c) to delegate authority to the ECO Communities and Place the flexibility to further revise the fees for Export Health Certificates following consultation with the ECO Resources and Finance and the Chair and Vice Chair of the C&P Committee, in the event there are any developments regarding EU Exit which would benefit the Council and local businesses (e.g. a national fee being proposed) before the mid -year review proposed below; and
 - d) a review of the demand for Export Health Certificates for EU trade and non-EU trade for the first 6 months of 2021 to commence in July 2021 and be reported to the following Communities and Place Committee in August 2021 along with any revision of fees if required.

3. Implications

- 3.1 Resource –
The Scottish Government is providing funding on the basis of claims for the inspection of fishing vessels and as reported in item 10 on the agenda, this may generate up to £10k in grant income.
- 3.2 The Council can make reasonable charges for Export Health Certificates to enable cost recovery and the proposed fee is reported.
- 3.3 There is a budget pressure this year as normally around 2000 EHCs have been processed in recent years but Covid impacts this year have reduced this to 300 as at 12th November 2020.
- 3.4 It is not yet known if further funding will be available from the UK Government's Operational Contingency Fund for Environmental Health team requirements for EU Exit preparations.
- 3.5 Legal – There is no legal obligation on the Council to issue health certificates, and this work is done to support local business with their export trade. The Local Government Scotland Act 2003 allows authorities to impose 'reasonable charges' for anything under the power to advance well-being, including economic factors, within their area. The Regulatory Reform (Scotland) Act 2014 requires that regulators' must contribute to

achieving sustainable economic growth, except to the extent that it would be inconsistent with the exercise of their regulatory functions to do so.

- 3.6 Community (Equality, Poverty and Rural) – The seafood sector is a key employer in the Highlands and EU Exit has potential to negatively impact the sector in terms of exporting to the EU. The team aim to support Highland seafood export business to mitigate any potential negative impact on jobs and local economies.
- 3.7 Climate Change / Carbon Clever – There are no implications arising from this report.
- 3.8 Risk – Additional workload arises for the Environmental Health team from EU exit and this, combined with the significant pressures from the team’s involvement in Covid19 response, presents risks to service delivery. The additional workstreams from EU exit include:
- meeting the potential demand for Export Health Certification. This includes the managing the process of issuing the certificates, the on-site verification checks and provision of attestations / assurances to other certifying authorities;
 - undertaking sufficient inspections / audits of exporting food businesses to verify legislative compliance. This is necessary as underpins the provision of Export Health Certification; and
 - undertaking inspections of the fishing vessels that are registered in Highland prior to 1st January 2021. This is a prerequisite to their catch being able to be exported to the EU.
- The report outlines how fees generated can help cover Council costs to enable service delivery.
- 3.9 There are risks to exporting business in the region if they are not prepared for the new export requirements. Significant disruption is seen by the National Audit Office as likely at the border with the EU from 1 January 2021. If EU tariffs are applied there are risks to the viability of trading for Highland exporting businesses.
- 3.10 Gaelic – There are no known Gaelic implications at this time.

4. EU Exit

- 4.1 The UK left the European Union (EU) at the end of January 2020, with the terms of the exit set out in a legally binding Treaty known as the Withdrawal Agreement. The Withdrawal Agreement includes a transition period until the end of 2020, during which the UK will continue to be part of the EU Single Market and Customs Union and adhere to EU legislation. Negotiations are ongoing to establish an agreement on future relations between the EU and the UK.
- 4.2 Regardless of any trade agreement between the UK and EU being reached, additional customs processes are due to be introduced from 1 January 2021 when the UK leaves the EU Customs Union. These changes will have an impact on businesses which presently export to the EU, with the Council playing a role in providing support to business to adapt to these changes and issuing Export Health Certificates (EHCs) for exports of animal origin.
- 4.3 Food exports are a significant part of the Scottish and UK economies and there is strong interest from both the Scottish and UK governments in increasing levels of trade. Increasing food exports is a key aim of the Scottish Government’s National Food & Drink Policy and Strategy. The seafood sector is a key employer in the Highlands and EU Exit has potential to negatively impact on the sector in terms of exporting to the EU.

4.4 In addition to the ongoing negotiations, members will note that there are concerns on overall preparedness by the Government and parts of industry. On 6 November 2020 the National Audit Office (NAO) published a report entitled [The UK border: preparedness for the end of the transition period](#). This report highlights that preparations to manage the border at the end of the transition period remain very challenging and have continued to be significantly affected by ongoing negotiations as well as the impact of Covid-19. It considers it very unlikely that all traders, industry and third parties will be ready for the end of the transition period. It notes crucial IT systems have yet to be tested and transit areas for lorries are not ready giving rise to a lack of certainty. It concludes there is likely to be significant disruption at the border with the EU from 1 January 2021.

5. Export Health Certificates and Supporting Attestations

5.1 Under EU Single Market rules, there has been no requirement by UK exporters to provide a health export certificate or any other paperwork when exporting to mainland Europe or to Ireland. With the end of the EU Transition Deal expected to occur on the 1 January 2021, the United Kingdom will be considered by the EU as a 'Third Country' for the purposes of trade from the UK to the EU. Businesses exporting products of animal origin (POAO) to the EU and Northern Ireland in these circumstances, will need to apply for an Export Health Certificate (EHC).

5.2 An EHC confirms that exported goods meet the food safety requirements of the destination country. EHC's must be signed by either an Environmental Health Officer, a Food Safety Officer, or a Certified Veterinarian and are subject to the supplier having passed an inspection of their premises and for full compliance within the export supply chain, under which fishing vessels are also now being inspected.

5.3 Exporters can engage non-Local Authority certifying organisations to help them fulfil their business needs. These alternative certifying organisations fall into two general categories - private practice Certified Veterinarians (provided they have all the prerequisite competences set by UK Government) and now the Scottish Government certifying officers operating within three central belt logistics hubs (see below).

5.4 The Environmental Health team carried out significant work in 2019 on EU Exit and that work recommenced in 2020. The team have been undertaking several areas of work to support businesses on exports that includes:

a) Animal Plant Health Agency (APHA) EHC Online

Governance of EU EHCs sits with APHA and they have just finished the development of a new online system for the management of EU and other APHA Export Health Certification. With Highland Council likely to become a significant user of this system Environmental Health have been inputting to the development process with the objective of making the interfaces, both exporter and certifying authority, user friendly. Specifically, the team's input has focussed on minimising the process steps involved from application to delivery and for the exporter to be in ownership of the template certificates until they have been fully completed at which point they are transferred to the certifying organisation. Unfortunately, EU EHCs still require a 'wet signature' on all issued EHCs. With respect to both exporters and the EH team logistics some challenges are therefore unavoidable. The Council's certifying officers and a significant number of business support staff have been trained on the APHA EHC Online system.

b) Logistic Hubs

The Scottish Government are currently recruiting for certificating officers to work from potentially three Scottish central belt EC Approved cold stores – these being DFDS, JDot and Mesquen. Since becoming aware that a number of Highland based seafood producers / exporters rely on these companies to maintain their existing logistics arrangements the team have been actively involved in discussions with FSS and Scottish Government on the processes around the hubs. The hubs provide a further option for EU EHCs for seafood companies in Scotland. The Highland based seafood companies who currently use these cold stores are likely to obtain their EU EHCs at these Hubs and this will reduce significant additional demands on our local certificating officer resource.

c) Fishing Vessels

Following the provision of information from APHA regarding the attestations on seafood EU EHCs it has become evident that all fishing vessels that wish their catch to have the potential to be exported into the EU must be registered with the local authority where their home port is located. This is because the EU EHC contains an attestation relating to the hygiene standard of the fishing vessel from where the product within the consignment originated. With approx. 400 of the 2000 vessels which comprise the domestic fleet being registered in Highlands this has resulted in a significant additional work for our team. So far we have had 240 vessels register with us. Of this we have inspected approx. 110 and this work is progressing. The Scottish Government have provided limited funding to Councils to support the work on fishing vessels with claims permitted that should be no more than £45 per vessel under 10m, and no more than £65 per vessel over 10m.

d) Approved Premises at Ports

All seafood exports (other than that from foreign flagged vessels) can only receive EHCs once they have been through a suitably approved establishment. Therefore, the team have been liaising with larger ports in the area to ensure that they are aware of this fact and to encourage them where possible to create or reinstate port side approved establishments to help facilitate the provision of an EHC Service.

e) Existing Exporters and Approval Inspection Work

Our officers have been contacting seafood companies to discuss export activities and the need for EU EHCs. Due to Covid, and with direction from Food Standards Scotland all Councils in Scotland suspended routine in-person inspections / audits of food businesses. The team have now recommenced remote audits of our exporters to verify compliance with food safety legislation.

5.5 The Council currently charge £70 per EHC. The fee has been increased in recent years to assist cost recovery and following benchmarking against other Council fees:

Date	Fee	Comment
01/04/2016	£20.00	fee for 2016/17
01/04/2017	£22.00	Approved increase: £22 for 3 months (Apr-Jun 2017)

01/07/2017	£40.00	Approved increase: £40 for 6 months (Jul-Dec 2017)
01/01/2018	£60.00	Approved increase: £60 for 3 months (Jan-Mar 2018)
01/04/2018	£66.00	Approved % increase applied for 2018/19
01/04/2019	£68.00	Approved % increase applied for 2019/20
01/04/2020	£70.00	Approved % increase applied for 2020/21

The changes were approved at the full Council (14/2/19 (template 2.9), 15/2/18 (template CS9) and 16/2/17 (template CS/17)). For comparison **Appendix 1** shows data from 16 other Scottish Councils who responded to a recent survey.

- 5.6 Increases in charges across Scotland have drawn criticism from industry which led to discussions in 2019 with industry representatives, Scottish Government and with the Society of Chief Officers of Environmental Health in Scotland (Socoehs). Late in 2019 a consultant was engaged by Socoehs to review charges and undertake discussions with industry. The consultant reported that there was no settled view from industry on the most appropriate means of charging for EHCs but there was a willingness on all sides to change the charging regime. This was to ensure any charging mechanism would encourage export activity and make Scottish companies competitive on a world stage; secure a fair recovery of costs to the Local Authority providing the EHC; and be administratively simple and not excessively impact on the time available to an EHO/FSO to complete technical tasks. Solutions suggested included a national levy to fund environmental health activity or a hybrid of the proposed flat rate and banded models may produce an optimum model with lower charges for consignments below 100kg and higher charges for loads above 1,000kg (See **Appendix 2**). Other Councils are considering the hybrid model but work has not progressed due to the Covid 19 pandemic.
- 5.7 Demand for EHCs currently varies year to year dependent on export trade being undertaken by local food companies. Numbers in Highland are generally from around 1200 per year to 2000 per year, however in 2017 over 3500 EHCs were issued. In the last financial year (19/20) 1900 EHCs were issued (900 for China trade, 1000 for non-China trade). Non-China trade covers a wide range of countries including United Arab Emirates, Thailand, Ecuador, Ghana, Hong Kong, Jordan, Malaysia, Kuwait, Lebanon, Mauritius, Mexico, Saudi Arabia, Seychelles, Singapore, South Africa, Japan, Uganda, Ukraine and Vietnam.
- 5.8 There are legal implications for officers when signing EHCs, the extent of which depends on the precise wording of the certificate and what associated official controls have first been necessary. Some EHCs, for example China, have more complex requirements and administration as can be seen in **Appendix 3**.
- 5.9 The current financial year has seen a significant drop due to Covid19 and restrictions imposed by China on seafood, which has resulted in only 300 EHCs being issued up to 12th November.
- 5.10 As reported to members last year, liaison with local companies established a possible demand for the new EU EHCs of potentially around 17,000 EHCs per year in Highland. With the establishment of the Hubs in the central belt the current indication is around 11,000 additional EHCs required in Highland for trade with EU and NI.
- 5.11 Although the Council have an indicative figure of 11,000 additional EHCs, there are considerable uncertainties on demands for EHCs in 2021, both in trying to estimate how the non-EU export trade will recover and what demand will be seen for EU trade. For EU

trade companies may wish to make further use of the Hubs which would reduce demand locally for EHCs. EU tariffs, if in place, may impact on viability of trade. Companies may also look to further consolidate loads to reduce need for EHCs. Officers will continue to liaise with local companies to refine estimates but the uncertainties at this time must be noted.

5.12 **Going forward it is proposed the Council should use the model in Appendix 2 from 1st January 2021.** This model will support business while ensuring recovery of costs for the Council. The fees are comparable to charges proposed by other Councils.

5.13 **Supporting Attestation**

To support the issuing of EHCs at the Hubs, businesses supplying and using the Hubs are required to provide evidence their premises which supply the Hub are compliant with food safety legislation. This Supporting attestation must be supplied by the Council who have food safety regulatory responsibility for the operational premises of the business. Officers from the Council are required to carry out random checks on these originating premises to ensure compliance and to then issue the Supporting Attestation. The frequency of checks is based on the Council's food safety rating of the businesses. Frequency can vary from once every 6 months, to 1 per 10 days, to even every consignment being checked. A charge can be made for supporting attestations and the system of charging is currently being discussed with Food Standards Scotland.

5.14 Given the remaining uncertainties on EU Exit, the uncertainties on demand for EHCs in 2021, whether further Government funding will be available and ongoing work on Supporting Attestations it is proposed:

- a) to delegate authority to the ECO Communities and Place to set a fee for Supporting Attestations, following consultation with the ECO Resources and Finance and the Chair, and Vice Chair of the C&P Committee;
- b) to delegate authority to the ECO Communities and Place the flexibility to further revise the fees for Export Health Certificates following consultation with the ECO Resources and Finance, Chair, and Vice Chair of the C&P Committee, in the event there are any developments regarding EU Exit which would benefit the Council and local businesses (e.g. a national fee being proposed) before the mid -year review proposed below; and
- c) a review of the demand for Export Health Certificates for EU trade and non-EU trade for the first 6 months of 2021 to commence in July 2021 and be reported to the following Communities and Place Committee.

5.15 Members will recall in November 2019 the UK Government established an Operational Contingency Fund of £8million in Scotland distributed by the Scottish Government. This was to allow local authority environmental health teams to prepare for the additional work associated with EU EHCs. The award in December 2019, with caveats that it be spent and committed by 31st January 2020, resulted in only a small portion of these monies being used. In Highland £45k was claimed. A bid was made by COSLA that this funding be made available to prepare for EU Exit in March and again in August, but no decision was made. Further requests have been made and Scottish Government have raised with UK Government but no funding for preparations have been issued. Without this advance funding, the environmental health team have undertaken the preparations detailed in this report using existing resources and at a time of unprecedented pressure due to their role in the public health response to Covid19.

Designation: ECO Communities and Place

Date: 13.11.20

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Socoehs EHC Survey October 2020

LA	current charge per EHC	proposed charge per EU EHC
Aberdeen City	Basic charge £65. Suite of other options largely unused.	Currently as per 2020
Angus Council	£32.10	£33.63
Argyll and Bute	£94	
Comhairle Nan Eilean Siar	-	To be linked to existing charges and likely "complex" charge
East Dunbartonshire Council	£37.86 as of October 2020.	Not considered yet but likely £37.86
East Lothian Council	£82.50	Probably £82.50, although that will have to be decided by the elected members/CMT.
Falkirk Council	£40	£40
Highland Council	£70	-
Midlothian	£32	£32
North Ayrshire Council	we only charge for Chinese export certs £36	not yet agreed but likely to be £36 unless national charge/scheme agreed
North Lanarkshire Council	£58.35	-
Orkney Islands Council	£41	£41 plus 3%ish yet to be set by Council
Perth & Kinross Council	£27	£27 (Tied into current pricing to end March 21 unless council report)
Renfrewshire Council	£18.50	£18.50 (reviewed for April 2021)
Scottish Borders Council	£69 excl VAT	Not fixed yet but will be around this year's figure
Shetland Islands Council	£74.50	Under review
West Lothian	£89.54	£89.54

Proposed charging model

Basic charge

- Standard Export Certificate: £42.00

Variations

- **Small batch** <100kg: £21.00
- **Large batch** >1,000kg: £100.00
- EHC with complex administrative requirements: +10% of basic costs

Additional charges

- Travel and inspection time related to EHC: Hourly rate
 - Time taken to research, confirm and produce non-standard certificate: Hourly rate
 - Translation: Full cost recovery
 - Correction/re-issue of a certificate: £20 (free if mistake fault of Council)
 - Copies of a certificate: £20
 - Out of hours service: Discretionary
 - Short processing time: Discretionary
-

EHCs to China - process

The system below was agreed by DEFRA as part of trade agreement with China.

For a business exporting crabs to China officers from the Council must:

- Ensure the company meets relevant approval standards – this may require inspection, and approval application & process;
 - Liaise with APHA's Centre for International Trade - Carlisle (CITC) on the approval of the business and the stamps our officers are using;
 - Ensure all the officers concerned are appropriately trained and on the approved signatory list with China. Amendment of this requires us to collate a complete new document for Highland with individual officer signatures to be prepared and submitted to China via DEFRA;
 - Liaise with CITC to ensure stock of the required Crown Vellum Watermarked Paper is available. The Officers must be able to account for every sheet supplied and so a register must be kept of any sheets spoiled etc.;
 - If business exporting for the first time, officers will carry out a full traceability audit of the business – this will require inspection of the premises;
 - Consider inspection of individual batches of products at any time - this will require visit to the premises;
 - Consider further random visits to check traceability – this will require inspection of the premises;
 - Where appropriate, ensure catch areas and any required testing/sample results are satisfactory;
 - Deal with any requests for certificates by following specific guidance. This requires the designated officers to be available to check applications, prepare certificates and sign;
 - Ensure Certificates are produced using the specialised DEFRA website with all fields completed. Generate the certificate from the website and complete address and officer details;
 - Print the certificates using adobe software, on the special paper in A3 format. Printers must be set up for producing certificates on the specialised paper and admin staff trained in how to produce;
 - Ensure Certificates are thoroughly checked by designated officers to ensure compliance with guidance, then the official stamp is applied and they are signed. Update the DEFRA website to indicate that the certificate has been signed and issued. Batches have been rejected at imported countries due to any errors or deviations from the guidance;
 - Ensure copies of certificates are taken, the register completed with all details, and copies immediately sent to CITC and the exporting business via email. For spoiled sheets or returned certificates this is hardcopy via special delivery to CITC;
 - Ensure appropriate invoices prepared & dispatched using our financial system;
 - Be prepared to deal with request for replacement certificates;
 - Respond to requests from CITC or authorities in China on clarification or queries on particular batches;
 - Co-operate with any audits from CITC or authorities in China on the application of the guidance.
-