

Agenda Item	9
Report No	CP/06/21

HIGHLAND COUNCIL

Committee: Communities and Place

Date: 24th February 2021

Report Title: **Update on the support for businesses exporting to, and importing from, the European Union (EU).**

Report By: Executive Chief Officer Communities and Place

1. Purpose/Executive Summary

- 1.1 The purpose of this report is to update Members on:
- a) the progress with the motions related to EU Exit agreed at the Council meeting on 7th January 2021; and
 - b) the range of work by the Environmental Health team to support businesses that export to, and import from, the EU.

2. Recommendations

- 2.1 Members are asked to note:
- a) the approach to taking forward the motions through the Brexit Working Group and workshop;
 - b) the demand from businesses in the region for support to trade with the EU and the enhanced service provided by the Environmental Health team as set out in paragraph 6.5;
 - c) the shortfall in income of around £70k forecast to end March 2021; and
 - d) given uncertainty around the intentions of business following EU exit, the Committee previously agreed to a six-month review of service demand and provision to report to the Committee in August 2021.

3. Implications

3.1 Resource

Environmental Health - The Council can make reasonable charges for Export Health Certificates to enable cost recovery. As agreed at the last Committee a review of the demand for Export Health Certificates for EU trade and non-EU trade for the first 6 months of 2021 will commence in July 2021. This review will be reported to the following Communities and Place Committee in August 2021 along with any revision of fees if required. The Scottish Government is providing funding on the basis of claims for the inspection of fishing vessels whose product goes to the EU and this will provide

around £16k in grant income in 2020/21. Food Standards Scotland is providing funding toward supporting attestations (£3k).

- 3.2 There is a budget pressure in 2020/21 as income of £124,900 is assumed in the budget based on previous experience of 2000 EHCs per year. However, Covid impacts have reduced this to 400 to Quarter 3. With further disruption from EU exit the shortfall forecast is approximately £70k. This is contributing to the forecast budget gap for the service reported separately to the Committee.
- 3.3 The Scottish Government has reported on the [Scot Gov website](#) 'A new £7.75 million funding package will offer support to fishermen, seafood businesses and ports and harbours threatened by the ongoing effects of coronavirus (COVID-19) and EU Exit'. Over £6m is available to the whole supply chain i.e. catchers through to exporters. £1m is available to support investment and £300k is to assist the work of the Fishermen's Mission. Information re accessing the funding is contained on the Marine Scotland pages of Scot Gov site and it is [there](#) contact details for the application process are held. The last application date being 26th Feb.

3.4 **Legal**

Environmental Health - There is no legal obligation on the Council to issue export 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.

- 3.5 **Community (Equality, Poverty and Rural)** – The seafood sector is a key employer in the Highlands and EU Exit has the potential to negatively impact the sector in terms of exporting to the EU. The Environmental Health team are supporting Highland seafood export business to mitigate any potential negative impact on jobs and local economies.
- 3.6 **Climate Change / Carbon Clever** – There are no new implications arising from this report.
- 3.7 **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. These are referred to in a separate report on Covid impacts to this meeting of the Committee. The additional workstreams from EU exit include:
- meeting the potential demands for Export Health Certification. This includes 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;
 - Controls on imported food from the EU start in April, having full effect in July 2021. The report outlines the actions to help mitigate against these service risks associated with Brexit. This risk is also included in the Corporate Risk Register.
- 3.8 **Gaelic** – There are no known Gaelic implications at this time.

4. Background

- 4.1 On 24th December 2020 the Trade Cooperation Agreement was agreed between the EU and the UK. This was signed off on 30th December 2020 and came into force at 23:00hrs on 31st December 2020. This deal means that there will be no tariffs or quota restrictions on trade. However, it does not negate the additional requirements around import and export that come into play once you are out of the Single Market and Customs Union. These non-tariff barriers mean compliance with new rules and additional paperwork such as Environmental Health Certification.
- 4.2 Brexit also means significant changes to immigration law as freedom of movement has now ceased and anyone wishing to move to the UK for work must comply with a points-based system that favours those who are medium and highly skilled. There are also additional costs to the employer and employee as well as a salary threshold of £25,600.
- 4.3 The next major impact of Brexit is expected around the UK Shared Prosperity Fund which is intended to replace EU Structural Funds. The real detail around this will be announced in the Spring spending review. Currently the Highlands & Islands, as a Transition Region, benefit from €105,380,764 in the European Regional Development Fund programme and €64,749,601 in the European Social Fund programme.

5. EU Exit Notices of Motion

- 5.1 At the Council meeting on 7th January 2021, the Council agreed to two Notices of motion related to EU Exit:
 1. That Council recognises the challenging situation that businesses and communities face by Brexit, compounded at this time with lockdown and COVID challenges. That Council agrees we seek clarification from the Westminster Government what support it can expect from the prosperity fund to assist in mitigating extra costs arising through Brexit and reports the expected increased costs that may have to be mitigated and report that to the next CP committee.
 2. That Highland Council will host a summit of public and private sector partners to clarify the impact of Brexit on the Highlands early in 2021.
- 5.2 Following discussions with Brexit Working Group representatives and the Administration Leadership, the Council Leader wrote a letter to the Secretary of State for Scotland seeking clarity on how some aspects of the Shared Prosperity Fund will be administered and the role of local government around this.
- 5.3 Two Brexit seminars have now been arranged. The first seminar on 1st February 2021 is a single-issue seminar to focus on the UK Shared Prosperity Fund. The second seminar on 19th February 2021 will focus on the risks and opportunities of Brexit. At the time of writing invitations, including scheduled speakers, have been issued. These events will be recorded for those unable to attend.
- 5.4 The actions above and the resourcing implications of supporting exporting business, as detailed in this report, address the Motion agreed.

6. Environmental Health

- 6.1 As described in the [report to the last Committee](#), the Environmental Health team have a key role in supporting local food businesses to export food to the EU and for firms that import food from the EU.

- 6.2 An Export Health Certificate (EHC) confirms that exported goods meet the food safety requirements of the EU. 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.
- 6.3 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 pre-requisite competences set by UK Government) and Scottish Government certifying officers operating within three central belt logistics hubs.
- 6.4 As discussed in our report in November at that stage there was an estimate of 11,000 additional EHCs required in Highland for trade with EU and NI. Through contact with businesses in December this was refined to around 4500 EHCs being required with many companies making use of the central belt hubs.

6.5 **Preparations in December 2020**

In December officers carried out several key tasks to support businesses:

1. Ongoing liaison with companies on possible demands for EHCs and how to obtain them;
2. Officers completed virtually all the required inspections of fishing vessels ahead of the deadline of 31st December with 323 of the 327 inspected (99%). The remaining 4 vessels were pursued in January. This work was carried out in 10 weeks to assist EU trade and was a major accomplishment of local officers;
3. Working with Food Standards Scotland, procedures were agreed for issuing Supporting attestations to companies wishing to use the hubs operating in other parts of the UK, including the three in central Scotland;
4. Supporting attestations issued to all local companies wishing to use the hubs. As at 10th February 2021, 42 have been issued;
5. Area offices in Wick, Dingwall, Portree, Golspie and Fort William are providing a service to local companies within office hours. All services require pre-notification to ensure best use of our available resources.
6. Officers concluded work on establishing a site to allow safe collection of EHCs out with office hours. The additional site chosen was the Council lorry car park in Henderson Road, Inverness as this could accommodate vehicles using the A9 to travel south. To manage this process along with competing Covid public health priorities, a rota for cover was established. The service provided is much greater than previously for EHCs, allowing for collection of EHCs 7 days per week. The hours the service is available are from 9am to 10pm Monday to Friday and 10am to 5pm on Saturday and Sunday.
7. At this time there is no additional capacity out with office hours for vehicles using the A82 as a route to market, given public health and statutory priorities; although exporting businesses have the opportunity to engage private practice Vets to replace or supplement the Council's EHC service provision. A number have chosen to use Highland based Vets or Vets who provide an EHC service in proximity to transit routes to the Ports (typically south of Glasgow). The national hubs also provide another option.
8. Guidance provided to businesses on EHC service being provided by the Council at local offices and the Inverness site, including notification process, application process, required information and fees. Guidance also provided on alternative providers;

9. Internal work done to finalise procedures on use of EHC Online and internal IT to support EHC process and train environmental health and business support staff;
10. At time of writing, 10th February 2021, 85 EU EHCs have been issued covering the export of 918 tonnes of seafood to France, Spain, Portugal, Greece and Ireland.

6.6 Impact of EU Exit – January 2021

As members will be aware the end of the transition period has been particularly challenging for the seafood sector. New requirements for paperwork for landings, customs, EHCs and new systems have greatly complicated the export process for businesses.

6.7 In Highland, at time of writing, 10th February 2021, we have found demand for EHCs has been lower than expected. This is down to a number of factors including a cautious approach to trade due to delays and problems experienced by other exporters; EU flagged vessels having to work to new systems so some landing temporarily in Ireland, hauliers requiring Covid19 testing, and lastly Covid significantly affecting demand in the EU.

6.8 Our officers have been liaising closely with businesses wishing to export to the EU and as noted above 85 EU EHCs have been issued covering the export of 918 tonnes of seafood to France, Spain, Portugal, Greece and Ireland. Close working with businesses has been essential as companies use the EHC Online system and the specific EHCs for the first time. Further advice and guidance are being provided by the EU and the Animal and Plant Health Agency (APHA)¹ as the export process is implemented, and officers are keeping local companies informed of any changes. Positive feedback has been received for our engagement with the companies.

6.8 EU flagged vessels

A separate EHC is available to allow EU flagged vessels to land products in the UK for export direct to the EU. EU flagged vessels have had complications with their home country requirements e.g. on catch certificates, but these matters are being addressed and vessels have started to land in Highland ports. Work is ongoing to support this key trade.

6.9 Rest of the world Export

Similar to EU EHCs, there has been a slow start to 2021 with demand relatively low mainly caused by demand reduction due to Covid19 impacting on hospitality trade. At time of writing, 10th February 2021 26 EHCs were issued for China and 96 for other countries.

6.10 A verbal update will be provided to the Committee on any developments from the time of writing of this report.

6.11 Staffing considerations

¹ The Animal and Plant Health Agency (APHA) is an executive agency of the Department for Environment, Food & Rural Affairs, and works on behalf of the Scottish Government and Welsh Government. Their professional staff are mostly official veterinarians and the agency has governance over 90+% of all export health certification (including the EU certs). The Agency set the export rules and administer the export health certificate process via their online system. When an exporter applies to APHA for an export health certificate and the exporter selects THC as their certifying organisation it will come to the Council to issue.

As previously highlighted the service is being provided by existing staff prioritising this work over other existing statutory duties. Staff have worked hard to, wherever possible, accommodate companies requests for EHCs. This includes officers working weekends and evenings at the Inverness site. To ensure sustainable service delivery going forward, work is ongoing to secure further staff resources. This has involved the creation of a new permanent FSO post in Caithness, filling a vacant temporary EHO post in Inverness, and consideration of other EHO posts to support the role. The use of agency staff (vets, EHOs or Food Safety officers (FSOs)) is also being considered. To date no additional funding was provided in 2020 by UK or Scottish Governments to support long term recruitment of staff; although as noted above the Scottish Government is enabling claims of around £16k for the fishing vessel inspections and Food Standards Scotland is providing £3k toward supporting attestations.

- 6.12 Going forward, there are ongoing and significant challenges to provide the EHC service as well as other competing duties. These are noted in the report on Covid impacts on the service, reported separately to this Committee and include the statutory public health duties for Covid 19 (our role as enforcement body, on outbreak investigation and port health); statutory duties on licensing (e.g. recent work on short term lets and residential caravan sites); and ongoing recovery of duties on food safety, health & safety at work; noise & nuisance; housing; private water supplies; local environmental issues; animal health & welfare.

Designation: ECO Communities and Place

Date: 10th February 2021

Author: Alan Yates, Environmental Health Manager

Background papers

- UK Government Border Operating model – import & export of goods [here](#)
- Scottish Parliament Information Centre, 19/1/21 [Seafood trade post-Brexit: teething problems or the new normal?](#)