

**REPORT TO: POLICY AND RESOURCES COMMITTEE - 23 AUGUST 2021**  
**REPORT ON: BREXIT UPDATE**  
**REPORT BY: CHIEF EXECUTIVE**  
**REPORT NO: 218-2021**

**1. PURPOSE OF REPORT**

1.1 This report updates members on the latest issues, impacts and opportunities arising from the UK's departure from the European Union.

**2. RECOMMENDATIONS**

2.1 It is recommended that members:

- (i) Note the updates provided in this report;
- (ii) Remit officers to continue to support EU citizens who need advice and assistance with late applications to the EU Settlement Scheme and with any consequences of not having obtained settled or pre-settled status;
- (iii) Note that bids have been submitted to the Community Renewal Fund and remit officers to continue to look for opportunities to maximise funding for the city from any replacements for EU funds.

**3. FINANCIAL IMPLICATIONS**

3.1 There are significant financial and operational risks for the Council associated with the UK's departure from the EU, which are difficult to identify separately from, but are likely to exacerbate, the financial issues caused by COVID-19. These are being actively monitored by officers.

3.2 Impacts will continue to be assessed and reported to Committee as further information on the consequences of the UK's new relationship with the EU becomes known.

**4. LATEST DEVELOPMENTS**

4.1 Trade and Procurement

4.1.1 Trade between the UK and EU

Trade levels have been volatile due to a combination of Brexit and COVID-19. The table below shows exports from the UK to the EU between January 2019 and June 2021, the latest month for which these are available:

**EXPORTS FROM THE UK TO THE EU (all figures £ billion)**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
January	14.5	13.7	7.9
February	14.8	13.2	11.9
March	15.9	11.2	12.9
April	13.2	9.6	13.1
May	14.7	10.2	14.3

June	13.8	11.5	14.3
July	14.5	11.6	
August	14.1	11.8	
September	14.1	11.9	
October	14.4	12.8	
November	12.6	13.3	
December	13.8	13.9	

Financial commentators suggest that Brexit's impact on the UK economy will take a long time to materialise fully, and will also depend on the extent to which trade with the EU is replaced elsewhere through the UK Government's 'Global Britain' strategy.

An additional factor affecting trade (and potentially leading to a supply issue for retailers) is a shortage of haulage drivers, with a combination of the pandemic and Brexit leaving many firms struggling to recruit. The industry is pushing for drivers to be added to the Shortage Occupations list, allowing them to qualify for a skilled worker visa. The UK Government wants businesses to employ British hauliers but the industry say that is impractical in the short term because of the immediacy of the need and the time and cost involved in training HGV drivers. The pandemic prevented thousands of new drivers from taking their tests last year, while many foreign hauliers returned home when work dried up during the early stages of the Covid outbreak and have since been unable to return because of immigration rules brought in after Brexit.

#### 4.1.2 New Trade Deals

A new trade deal has been announced between the UK and Australia, although there is still a lack of detail about what it will mean in practice. Concerns have been expressed about the possible impact on British farmers if prices are undercut by cheap imports because Australian farms operate on a huge scale and are allowed to use growth hormones, pesticides and feed additives that are banned in the UK. The Trade Secretary has denied that imports of Australian food will flood the UK and said that export markets will grow for British goods such as cars, whisky, biscuits and ceramics as well as better access for UK digital and financial services.

The deal seems likely to have a small impact on the UK's GDP (it is estimated it might add 0.02% to GDP compared to estimates that Brexit might lead to a drop of 4% in GDP) but it is significant because it is the first trade deal to be built from scratch since the UK left the EU, and also a potential step towards the UK joining a wider Asia Pacific free-trade agreement. Some people have expressed concern though that it also sets a marker, that agriculture and especially food welfare standards might be compromised in efforts to agree much bigger trade deals with countries like the USA and Brazil.

The UK has also signed a trade deal with Norway, Iceland and Liechtenstein, which the Trade Secretary said would boost sectors such as digital, cut tariffs on UK exports such as cheese and meat, and reduce import tariffs for British fish processors. In terms of trade volumes, this deal seems more significant for the other countries than for the UK, but again it is politically important for the UK Government to show that new trade deals are being done quickly, even if - as the Norwegian Government pointed out - the deal does not restore all the advantages of both countries being in the European Economic Area.

#### 4.1.3 Northern Ireland

There are still ongoing difficulties with the operation of the Protocol that sees Northern Ireland continue to follow many EU rules to prevent a land border within the island of Ireland, but as a result creates an effective border in the Irish Sea, leading to additional checks on items moving between Great Britain and Northern Ireland.

"Grace periods" were introduced after the trade deal came into force on 1 January, allowing goods to continue to move as normal while people adjusted to the new way of working. Controls were due to be introduced from July on chilled meat products like sausages and mince - effectively banning them from entering Northern Ireland unless the UK agrees to match EU

standards on its products - but the EU agreed to delay these further until 30 September to allow further talks.

To resolve the issue, the EU has suggested an agreement similar to the one it has with Switzerland. This would remove all border checks for British food entering Northern Ireland or the EU if the UK agree to abide by the EU's food-hygiene rules, even when they change in the future. But the UK Government says that moving away from EU rules was one of the main reasons for Brexit. There is also concern that following EU rules could make it harder to agree a trade deal with the United States. The UK Government would prefer an arrangement in which the EU recognises UK food-production standards as equivalent to its own, similar to the one the EU has with New Zealand. This would reduce trade friction but not by as much as a Swiss-style deal. The UK is also looking for agreements allowing products intended for the Northern Ireland market only, which are not going to be sent to the Republic of Ireland so into the EU, to avoid checks altogether.

#### 4.1.4 Impact on Local Authority Procurement

Much of the Council's procurement is done through Scotland Excel and they continue to produce detailed information regarding commodities that have been impacted and are likely be further impacted due to a concurrence of Brexit, COVID-19 and other issues. These updates cover issues affecting construction, PPE, food and catering, education, transport, environmental maintenance and care services, and set out a range of mitigation measures to deal with any supply issues, while noting that some of the impacts remain uncertain and some issues are likely to emerge over time.

Since the Trade and Co-operation Agreement came in to effect on 1 January, Scotland Excel has been continuing to liaise with suppliers, carry out wider market research and share information with Councils on any risks relating to the cost and availability of key products and services. They report that in the first 6 months of 2021:

- National lockdown after Christmas led to reduced purchasing in many areas.
- There were limited issues with flow of traffic/border hold-ups.
- The deal between the UK and EU meant no tariffs, so there was limited immediate impact on supplier pricing for food in particular. While other commodity areas have seen large price increases, these are not specific to Brexit.

Many price increases have been due to raw material costs, including items such as timber, copper and plastics, along with increases in container costs and port delays. Substantial increases have been felt in relation to construction materials as a result of interconnecting factors and there has been volatility in availability of products/pricing and suppliers.

For food and catering, the British Retail Consortium says firms are facing rising costs from shipping and climbing commodity prices. They report some impacts on pricing post-Brexit, predominantly around frozen fruit and vegetables due to increased transport costs. and there are current challenges within the poultry supply chain. UK growers have warned of the impact of seasonal staff shortages. Price rises in the food sector are also expected as hospitality continues to open up after the lockdown.

The last 6 months have shown that many supply chains are resilient and that the pandemic led to diversification which helped create further resilience with dual or multiple sourcing being used. However, there are challenges in pinpointing Brexit, COVID and other supply chain impacts and their outcomes, which are often interwoven and difficult to separate.

In the next 6-12 months, Scotland Excel advise that further work will be required to:

- Understand the impact of any changes to the post-Brexit arrangements, in terms of both Northern Ireland and import/export processes, with new checks on imports scheduled to be introduced from the Autumn.
- Understand the impact of Brexit on the workforce within the UK and how this may impact the cost and availability of products.
- Determine the impact of any new trade deals on existing supply chains.

In Dundee, all services have been reminded to identify any concerns or issues which emerge, and to highlight any intelligence received from professional networks regarding supply chains and the cost and availability of any products or services they use. Although not strictly EU related, the global supply chain of construction materials is particularly vulnerable to the impacts of COVID-19 and EU Exit, and most local authorities are now experiencing problems related to sourcing construction materials including timber, concrete, steel, plyboard and sand with corresponding impacts on costs, lead time, product availability. As well as significant increase in demand, distributions in shipping and haulage and increased container costs are driving factors. Many Councils have also experienced difficulty sourcing specialised products from EU manufacturers. The Council's Heads of Finance, Property and Procurement are carrying out an analysis of the impacts on major capital projects, taking into account the effect of both Brexit and COVID on the global supply chain for sourcing materials and components, including a shortage of raw materials and market demand as economies look to rebuild. Officers within services are currently reviewing the capital programme and prioritising those projects that can realistically be progressed during the current year. Updated projections will be incorporated into future capital monitoring reports. Tayside Contracts are awaiting the outcome of a core price review and anticipate there will be price increases although the extent of these has not yet been quantified.

## 4.2 Applications to the EU Settlement Scheme

- 4.2.1 The deadline for applications to the EU Settlement Scheme (EUSS) was 30 June 2021, and the UK Government resisted calls to extend this date to reflect the difficulties in providing face-to-face help with applications during the pandemic and the concerns that some vulnerable people may have 'slipped through the net'. Migration experts, lawyers and charities have identified a range of people they are particularly concerned about, including children whose parents came to live in the UK under the pre-Brexit freedom-of-movement rules but never sought permanent settled status under British immigration laws; children in the care system; elderly people who have no proof of their legal residence in the UK, and may not have realised that they need to apply to the EUSS; EU citizens registered under an old scheme; and vulnerable groups from poor and marginalised backgrounds who may not even know they should be applying to the scheme. Examples include people trafficked by criminal gangs into modern slavery, such as the sex trade, and victims of domestic abuse whose lives are controlled by their partners. Some people may be worried about authorities having access to their data because they come from countries where they would want to minimise contact with the state; there is evidence that some people who have lived in the UK for a long time simply consider it their home and don't understand why they need to start a new process; and there are people who don't have the language skills or the technology to make the application, including getting the right documents to begin the process.
- 4.2.2 Guidance for Home Office staff administering the scheme includes a section on reasonable grounds for failing to meet the 30 June deadline. The guidance is not exhaustive and the document states that every case must be considered in light of its particular circumstances. Examples of reasonable grounds include: children (including children in care and care leavers); physical or mental capacity and/or care or support needs; a serious medical condition or significant medical treatment; victims of modern slavery; abusive or controlling relationship or situation; and other compelling practical or compassionate reasons.
- 4.2.3 The latest quarterly statistics from the Home Office on applications and outcomes at local authority level are not expected until just after the date of Committee, so the latest figures available at that level are still those showing applications up to 31 March 2021. By that date, 8,500 applications had been made by Dundee residents, of which 8,040 had been concluded. This compares to the December 2020 figures of 7,900 applications of which 7,310 had been concluded. By 31 March, 4,170 Dundee residents had been awarded full settled status and 3,660 pre-settled status, with 210 applications described as 'other outcome'. There is no mechanism to know exactly how many people in each Council area were eligible to apply, but based on the estimates available Dundee appears to have a relatively high % of applications submitted from the estimated number of EU nationals in our area, compared to other Scottish local authorities. Across the UK, over 400,000 applications were made in June 2021 alone, which are likely to include some which will increase the Dundee figures mentioned above.

- 4.2.4 A communications campaign continued in the run-up to 30 June to ensure that EU citizens were aware of the need to apply for settled status and aware of the assistance available, and this is continuing in respect of late applications. Officers continued to update the dedicated page on the Council's website which outlines the EUSS scheme and signposts people to UK/Scottish Government information and sources of advice and assistance, and this has now been updated to include information on applying after 30 June. Social media channels such as Twitter, Facebook and LinkedIn have also been used, with regular posts providing key information. A flyer about the scheme was included in the mailing sent to over 70,000 households about the 2021/2022 Council Tax, with electronic copies of this information being shared widely with local organisations. Direct contact was made with a range of local organisations, asking them to highlight the scheme to service users or people they support, and again this has been followed up with information on making late applications.
- 4.2.5 The Council has a responsibility to apply for settled status on behalf of any looked after children who are EU citizens, in conjunction with their birth parents where applicable. To date, the Children and Families service has identified nine children in our Council's care who are citizens of a country to which the EUSS applies, and those children and families continue to be supported in the process with expert advice from an International Organisation for Migration caseworker. Awareness has been raised among social work managers to ensure that any further EU children who come into our care will also be supported through the EUSS process if appropriate. In addition, the Council's Throughcare and Aftercare Team keeps in contact with many care leavers until they are 26. They will communicate information about the EUSS to any young person when relevant, in response to concerns expressed nationally about a low take-up of the scheme among those who have left care in recent years.
- 4.3 What happens to those who haven't secured their status?
- 4.3.1 A key issue moving forward concerns what happens to people who haven't secured settled or pre-settled status. One of the early issues could be eligibility for benefits. In July, the Home Office wrote to EU citizens in receipt of benefits who had still not applied by the deadline. This letter encouraged them to apply to the EUSS before actions are taken that could result in the loss of benefit entitlement and gave an additional 28 days to make a late application. Those who fail to respond to the Home Office letter will be referred to the Department for Work and Pensions (DWP) for further action. DWP will issue a further letter to claimants in September encouraging them to apply for EUSS before claim suspension action is taken. Citizens who have still not applied 28 days from the date on that letter will be subject to benefit suspension, following which they will be given a further 28 days to apply for EUSS. If, after this final 28-day period, the citizen has still not applied for EUSS then the claim will be terminated. So, those currently receiving benefits will **not** see their payments stop automatically any time soon and it does appear that a number of opportunities/encouragements will be given to apply. The Department for Work and Pensions has provided a list of Housing Benefit only claimants who have yet to apply to the European Union Settlement Scheme (EUSS) which Councils can use to identify claimants who may need additional support or signposting to apply to the EUSS. There are 23 people in Dundee on the list and Advice Services will liaise with Revenues and Benefits and Dundee Health and Social care Partnership on how best to engage with them and assist with late applications. The Home Office will provide a final list of claimants who have still not applied to EUSS at the end of September 2021, and DWP hope to include details of all claimants who have an HB interest at that point which will allow further contact to be made with people locally.
- 4.3.2 Entitlement to benefits is only one of the rights linked to immigration status and there are also implications for the right to work, housing, further and higher education and healthcare. It is anticipated that there will be individuals in Dundee who need advice and assistance with any consequences of them not having obtained settled status and with making late applications to the EUSS.
- 4.3.3 During the first week of July, the information on the Council's website was updated, with information on the potential impact of not applying to the scheme along with encouragement to make late applications and information on sources of advice and assistance. This has also been advertised through social media channels. A briefing has been prepared by Council Advice Services and circulated to frontline staff in Customer Services and across all relevant Council services who may be contacted by people seeking help. This briefing has also been circulated more widely through the Dundee Partnership's network.

- 4.3.4 For those who have not applied to the EU Settlement Scheme already, support at a national level will remain in place until 30 September to help with late applications. Further information is available at [www.mygov.scot/stayinScotland](http://www.mygov.scot/stayinScotland) and applicants can seek help via the EU Citizens' Support Service run by Citizens Advice Scotland or the Citizens Rights Project. Locally in Dundee, help is also available via Council Advice Services and Brooksbank Money Advice Team.
- 4.3.5 A range of useful factsheets for EU citizens about their rights have been produced by Just Right Scotland and are available on their website in a range of languages  
<https://www.justrightscotland.org.uk/learn-more/legal-factsheets/>
- 4.3.6 For those who have obtained settled or pre-settled status, the UK Government has introduced a facility for them to register and prove their status prior to travel abroad, to minimise hold-ups at passport control. We have added this information to the Advice for Citizens section of the Council website for those who plan to travel, making the point that such travel should be in line with Scottish Government guidance. More generally, the Citizens Rights Project has produced leaflets, posters and video materials in a number of languages about how people can prove their status, and again these are available through the Council's website.
- 4.4 UK citizens living in the EU
- 4.4.1 As well as implications for EU/EEA citizens living in the UK, Brexit raises issues for UK citizens living in the EU who need to understand changes where they live. General information about rights such as residency, healthcare, working etc for those protected under the Withdrawal Agreement is available at <https://www.gov.uk/guidance/living-in-europe>
- 4.4.2 More detailed guides to living in each EU country can be accessed via <https://www.gov.uk/uk-nationals-living-eu>
- 4.4.3 The UK Government publishes updates to these sites and most recently these have been in relation to information on pensions and driving licences. The Council's Brexit pages have been updated to reflect the above and this is a useful way to signpost any queries received locally.
- 4.5 Funding
- 4.5.1 In the 2014-2020 programme of EU funding, Dundee City Council secured around £6.9 million to support projects such as advice services, employability, smart cities, low carbon transport and active travel. Between 2005 and 2015, Dundee benefited from European grants of around £11 million. Because of this, a priority for the Council has been to seek to influence the size and shape of the funding programmes due to replace EU structural funds once the Treasury Guarantee for existing projects ends. As advised in the last update to Committee, the UK Government has made some announcements about the Community Renewal Fund (the pilot/precursor to the UK Shared Prosperity Fund) and the extension to Scotland of the Levelling Up Fund, although there is still a lack of information about the UK Shared Prosperity Fund itself. The Scottish Government's Minister for Just Transition, Employment and Fair Work has written an open letter to the UK Government's Minister of State for Housing, Communities and Local Government, to express concern over the continued uncertainty on replacement EU funding and refusal of the UK Government to engage the Scottish Government in any meaningful way in the development of both the UK Shared Prosperity Fund and the other funds announced in the March budget. Regarding the UKSPF, the Minister has requested clarity from his counterpart on geographies, funding allocations, programme length, funding quantum, governance, and evaluation.
- 4.5.2 Since the last update report, bids have been submitted to the Community Renewal Fund totalling £1,063,871 for 5 Dundee projects relating to digital skills, business support and culture. However, Dundee is not in the top 100 priority areas for funding. As instructed by Committee in April, the Chief Executive wrote to the UK Government regarding the priority places for the Fund and setting out Dundee's case to be included. The reply from the Minister for Regional Growth and Local Government said:

“To ensure the UK Community Renewal Fund reaches the places most in need, we have identified 100 priority places based on an index of economic resilience across Great Britain which measures productivity, household income, unemployment, skills and population density. This has been developed based on a consistent approach to identifying need across Great Britain. The criteria were selected because they measure factors that contribute to economic resilience and/or are directly targeted by the local growth interventions in scope of the UK Community Renewal Fund. The UK Community Renewal Fund will prioritise applications that target the top 100 places, alongside a good contribution to strategic fit and delivery/effectiveness. However, this does not mean that other places, including Dundee, were not allowed to apply. Applications from places that demonstrate a strong alignment with strategic fit and good delivery/effectiveness may also receive funding.”

4.5.3 The Council is also pursuing opportunities to participate in European programmes with which the UK Government is continuing to be involved, including the Horizon Europe and the Interreg PEACE PLUS programmes, and is establishing additional posts to develop the Council's capacity to make future bids.

4.5.4 There is likely to be an ongoing debate at national level about the extent to which the replacement for EU funds should be allocated to meet needs or competed for through a bidding process.

## **5. OPPORTUNITIES**

### **5.1 Overview**

5.1.1 Members agreed previously that, along with attempting to mitigate the negative consequences of leaving the EU, a key focus should be on identifying any opportunities which may arise which could go some way to countering the anticipated adverse impacts.

5.1.2 This work has been rolled into a wider analysis of the way the city can recover from the double hit of COVID-19 and Brexit through a long-term restructuring plan. It seems likely that programmes of public investment to help rebuild the economy will include an emphasis on green initiatives, addressing inequality and digital transformation, which resonate well with the Council's Climate Change Action Plan, Fairness Strategy and Digital Transformation Strategy, and with the idea of 'building back better' rather than returning to the pre COVID-19 status quo.

### **5.2 Progress with specific opportunities**

5.2.1 Specific opportunities identified in previous reports are summarised below, with a brief update on how these are being progressed:

- Maximising opportunities for Dundee to benefit from the replacement for EU funding - the Council, through membership of ESEC and representative body SLAED, are continuing to monitor announcements in relation to funding as described earlier in this report and officers will report separately to Committee on any opportunities to secure funding. As previously mentioned, much remains unclear in terms of the UK Shared Prosperity Fund but the UK Government has stated that it will be delivered quicker, be better targeted, be better aligned with domestic priorities and will not be as bureaucratic as EU funding.
- As COVID-19 restrictions allow, continue promoting Dundee and the wider surrounding area for 'staycations', building on the recognition for UK Staycation Destination of the Year - this will be done in conjunction with Visit Scotland and regional partners, as well as at a local level through Dundee Tourism Partnership to promote the city, its accommodation and attractions. Initial phases have focused on the Scottish market, using print and digital channels to encourage people to 'Put Dundee On Your Map' in 2021. This has been supported with updates to the One City Many Discoveries website, including the latest information on opening of businesses and attractions. Further campaigns will be run during 2021/22, targeting geographic and demographic markets as advised by VisitScotland and local industry representatives.

- Lobbying for the location of any new civil service jobs relating to new trade and custom arrangements to be located in Dundee – officers will continue to monitor, explore and lobby as appropriate as potential opportunities emerge.
- The opportunity to train long-term workless people, and those more recently affected by COVID-19 related redundancies, to fill skill shortages linked to the loss/reduction in migrant labour from the EU - both the Scottish and UK Government have made a number of funding announcements that will provide additional resources to supplement the Discover Work Service and support for long term workless people to re-enter the labour market. These include the Scottish Government's Parental Employment Support Scheme and Young Person's Guarantee, and the UK Government's Kickstart Scheme. The Executive Director of City Development is also working with partners regarding jobs and skills gaps for the digital economy.
- Some businesses who trade primarily in the domestic economy may benefit from any reduction in EU competitors bringing goods/services into the UK - this will depend on how the new trade arrangements work in practice and will continue to be monitored.
- EU State Aid rules ceased to apply in the UK at the end of the transition period. The UK Government then introduced an interim regime based on 6 Common Principles, including subsidies must be proportionate and limited to what is necessary to achieve the objective. On 30 June 2021, the UK Government presented the draft Subsidy Control Bill to Parliament which will replace this temporary regime. The Bill aims to make it easier for public authorities to provide subsidies to businesses, and introduces provisions designed to ensure that certain categories of subsidies, which are low risk and aligned with government priorities, can proceed with minimum administrative burden and maximum legal certainty.

### 5.3 Freeports

- 5.3.1 Talks took place in July between the Scottish Government's Trade Minister and the UK Government's Secretary of State for Scotland, following which the Scottish Government has written to the UK Government to seek agreement on its plans to deliver green ports in Scotland. The Scottish Government wants to adapt the UK Government's proposals to establish freeports - which allow firms to import goods and then re-export them outside normal tax and customs rules - so these focus on fair work practices (such as paying the real living wage) delivering a net zero economy, and supporting sustainable and inclusive growth in local communities. The Scottish Government's letter says that such commitments are "non-negotiable" if agreement is to be reached between the two governments over the ports plan. The UK Government said it wanted work to begin soon on a "joint prospectus" and say their freeport model encompasses good employment practices and high environmental standards, as well as being an internationally recognised brand. There is a concern that delay could put Scottish freeports at a disadvantage in relation to their counterparts in England.
- 5.3.2 An expression of interest for Dundee to become a green port was submitted ahead of the 27 July deadline. It is being led by Michelin Scotland Innovation Parc, instead of the Port of Dundee as previously anticipated, because there is limited land available at the port due to anticipated offshore wind and oil and gas decommissioning activity. Michelin Scotland Innovation Parc see green port status as offering a significant advantage to them and the companies which will locate there, and say their strategic priorities are fully aligned with the Scottish Government's agenda to create inclusive economic growth and support a green economic recovery. The invitation to note expressions of interest was an informal exercise forming part of the Scottish Government's consultation on green ports and is not part of the formal application or selection process which will follow, subject to agreement by the UK Government.

## 6. POLICY IMPLICATIONS

- 6.1 This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. There are no significant issues.



**7. CONSULTATIONS**

7.1 The Council Management Team and Brexit Advisory Team were consulted in the preparation of this report.

**8. BACKGROUND PAPERS**

8.1 None.

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