

REPORT TO: POLICY AND RESOURCES COMMITTEE - 20 AUGUST 2018

REPORT ON: BREXIT UPDATE

REPORT BY: CHIEF EXECUTIVE

REPORT NO: 234-2018

1 PURPOSE OF REPORT

This report updates members on the latest developments in the Brexit process, outlines the work being done by the Political Cross-Party Working Group and the officers' Brexit Advisory Team, and seeks agreement to lobby the UK Government on continued participation in the Interreg programme.

2 RECOMMENDATIONS

It is recommended that members:

- (i) note the latest developments with Brexit and the work being done by the Political Cross-Party Working Group and the Brexit Advisory Team to mitigate the impact on the Council and the city;
- (ii) remit the Chief Executive to write to the Secretary of State for Exiting the European Union to highlight the importance of the Interreg programme for Dundee, the wider city region and Scottish local authorities in general, and ask the UK Government to continue participation in this programme after the UK has left the EU.

3 FINANCIAL IMPLICATIONS

None.

4 BACKGROUND

4.1 Reference is made to Article VII of the minute of the Policy and Resources Committee on 12 February 2018, when Committee considered a report giving members an update on the Brexit process, including the possible impacts on Dundee. It was remitted to the Chief Executive to convene a Brexit Advisory Team of officers to monitor progress, develop strategy and continue to report to members, and it was agreed that this team should suggest lobbying strategies to best protect Dundee, which would be taken forward by the further establishment of a Political Cross-Party Working Group involving MPs, MSPs, Councillors and representatives of the universities.

4.2 The purpose of this report is to brief members on the latest developments with Brexit, to outline the work being done by the Political Cross-Party Working Group and the Brexit Advisory Team, and to ask members to support lobbying the UK Government on continued participation in the Interreg programme.

4.3 Recent developments in the Brexit process include:

- in June 2018, the EU Withdrawal Bill was passed by Parliament following debates and amendments in both Houses. The key debate focused on what will happen if the Government cannot reach an agreement on the future relationship between the UK and the EU or if MPs are unhappy with any deal that is reached. The UK Government's intention is that a Minister will make a statement to Parliament on which MPs will vote 'on neutral terms', simply noting what has been said. The House of Lords approved an amendment which would have given MPs the right to approve whatever the Government decides to do, but this was defeated in the House of Commons when the Government said that the Speaker would determine whether or not the Government's motion is cast in neutral terms and therefore whether it is or is not amendable by MPs;

- the Prime Minister welcomed the passing of the Bill as 'a crucial step in delivering a smooth and orderly Brexit' and subsequently published more details of the Government's proposals in a White Paper called 'The future relationship between the UK and EU'. This was published on 12 July, based on a position agreed by the Cabinet at Chequers on 6 July, although that subsequently led to the resignations of the Brexit Secretary and Foreign Secretary. The White Paper sets out the UK Government's 'blueprint' for future relations with the EU. The main points are:
 - the UK will maintain a "common rulebook" for all goods traded with the EU, including agricultural products
 - a treaty will be signed committing the UK to "continued harmonisation" with EU rules - avoiding friction at the UK-EU border, including Northern Ireland
 - Parliament will oversee the UK's trade policy and have the ability to "choose" to diverge from the EU rules
 - there will be different arrangements for services, with greater regulatory flexibility
 - a "joint institutional framework" will be established to interpret UK-EU agreements
 - the European Court of Justice will no longer have jurisdiction in the UK, but UK courts will have to pay "due regard" to EU case law in areas of complete alignment with EU rules
 - the borders between the UK and EU will be treated as a "combined customs territory"
 - the free movement of people between the UK and the EU will end
 - a "mobility framework" will be set up to allow UK and EU citizens to travel to each other's territories
- after publication of the White Paper, the UK Government accepted a number of amendments to the Taxation (Cross Border Trade) Bill - known as the Customs Bill. The Prime Minister denied suggestions that these amendments - on collecting tariffs, customs and VAT - were inconsistent with the White Paper.
- the rest of the summer and autumn will be taken up with talks and summits, including detailed negotiations between the UK Government and the EU on the proposals set out in the White Paper. The key issue is trade, and the extent to which the UK is prepared to compromise on customs arrangements, regulations, freedom of movement and the remit of the European Court of Justice in order to minimise barriers to trade and resolve the issue of the border between Northern Ireland and the Republic of Ireland. The aim is to agree a deal by October 2018. The UK is due to leave the EU on 29 March 2019 and there will then be a transition/implementation period which is scheduled to end on 31 December 2020;
- the Home Office has published a 'Statement of Intent' giving further details about how EU citizens and their families will be able to secure their long-term status in the UK. Under the proposed Settlement Scheme, EU citizens and their family members who have been continuously resident for 5 years by 31 December 2020 will be eligible for 'settled status', while those who arrived by then but have less than 5 years residence will be eligible for 'pre-settled status' until they reach the 5 year threshold. The Statement says this will enable EU citizens and their families to continue their lives much as before, with the same entitlements to work, study and access public services and benefits. Administrative procedures will be streamlined - involving proof of identity, residence and a check on criminal records - and the Home Office say they will be 'looking to grant, not for reasons to refuse'. Applications will cost £65 for adults and £32.50 for children. The scheme will begin later this year and open fully by

March 2019, and the Home Office say they will expand communications to ensure that EU citizens living in the UK are aware of the scheme and how it will operate.

4.4 The Political Cross-Party Working Group met for the first time on 29 June 2018 and further meetings have been arranged for August, November, January and March. As well as discussing the latest developments as outlined above, much of the group's discussion at its first meeting focused on the funding which Dundee receives from the EU for work such as employability programmes, business gateway, financial inclusion, research and international exchanges. All present agreed it was vitally important to lobby the UK and Scottish Governments to ensure that the city receives its fair share of the proposed 'shared prosperity fund' which is intended to replace EU funding. The importance of Interreg funding, described further in paragraph 4.6 below, was also discussed. The group also recognised the importance of discussing the implications of Brexit with the Council's partners in the academic and business sectors, and representatives have been invited to attend the next meeting and to present papers on the key issues for them, so politicians can assist with lobbying government to address these.

4.5 The officers' Brexit Advisory Team first met in April 2018 and will continue to meet regularly in parallel with the Political Cross-Party Working Group meetings. Action underway includes:

- liaising with COSLA about their activities on behalf of Scottish Local Government, and ensuring that the Council provides any information they request;
- considering communications to staff (eg information on the proposed Settlement Scheme);
- gathering further information on the number of EU citizens in our workforce and in the city generally;
- analysing information on EU funded projects, which include employability initiatives, social inclusion, business gateway, low carbon projects and Smart Cities;
- contributing to discussions on post-Brexit funding arrangements;
- considering the wider implications for businesses in the city, especially those involved in export or which rely on workers from EU countries;
- monitoring any impact of currency fluctuations on the Council's capital projects and revenue budget management.

The team will liaise with officers who lead on environmental/regulatory issues at the appropriate time, and will continue to keep members briefed on any significant developments.

4.6 There has been a commitment from the UK Government to continue involvement in the Erasmus+ programme and some other European programmes. In its recently published White Paper, the UK Government confirmed it is open to participating in EU funding programmes which facilitate the exchange of expertise and information. However, the Interreg programme - which is important to Dundee, the wider city region and Scottish local authorities in general - has not been specifically mentioned so far and there is no guarantee that funding will be available for this, despite an invitation being received from the EU for the UK to participate as a third country. Interreg is the main EU funding programme which facilitates the exchange of expertise and information between local authorities across the EU and participating third countries, allowing local authorities to research best practice, pilot new approaches and implement new policies. In the current funding period (since 2014) there have been 112 approved projects, with a total ERDF grant value of € 57,914,558 (sterling equivalent at time of writing £51,265,967). Some of the key Interreg projects which are ongoing in Dundee are:

- Create Converge: Dundee City Council is the lead partner in the Interreg Create Converge project, which brings creative technology (e.g. animation, virtual reality, augmented reality) into sectors such as fashion, energy, architecture, healthcare and tourism. In 2017, the project was visible at 37 major events, including Berlin Fashion

Week, Cannes Film Festival and conferences such as Copenhagen Future TV and Hamburg Games. The ERDF grant value to Dundee is €363,000 (£321,328).

- Cult-CreaTE: Dundee City Council is also a partner in the Interreg Europe project CultCreate, which was approved in March and is due to start in September. The project has an ERDF grant value of €154,615 (£136,865) for the Council. This project focuses on the development of cultural and creative tourism.
- UNEET: Dundee & Angus College is a partner in the UNEET project, along with Fife Council. This proposes an innovative approach to foster the integration of young adults not in education, employment or training by matching the recruitment needs of the hotel, restaurant and catering sector with the existing labour supply of young adults in 7 regions. The ERDF grant value to these two partners is €780,776 (£691,143).

Interreg projects being delivered by other local authorities across Scotland include:

- Angus Council's LIKE! project which supports and develops digital innovation in the public sector and has an ERDF grant value of €266,500 (£235,906).
- Fife Council's Clipper project, which is working to support SMEs in the maritime sector as they diversify and change business practice to tackle new opportunities such as offshore renewable energy. The ERDF grant value is €738,971 (£654,137).
- Falkirk Council's Northern Connections project, a partnership of 21 clusters, cities, regions and knowledge institutions working together to create innovation in the energy sector. The ERDF grant value to Falkirk is €168,335 (£149,010).
- Aberdeen City Council's Hytrec2 project, which brings together eight organisations to collaborate on a strategy across the North Sea Region to support the further use of Hydrogen Fuel Cell Electric Vehicles. Hytrec2 is one of four Interreg projects the Council is involved in, the ERDF grant value totalling €1,608,704 (£1,424,025).

Other organisations to have received Interreg funding include the James Hutton Institute, the RSPB, Scottish Natural Heritage, Abertay University and NHS Scotland.

- 4.7 It is recommended that members note the latest developments with Brexit and the work being done by the Political Cross-Party Working Group and Brexit Advisory Team to mitigate the impact on the Council and the city.
- 4.8 It is also recommended that Committee notes the importance of the Interreg programme for Dundee, the wider city region and Scottish local authorities in general, and asks the UK Government to support continued participation in this programme after the UK has left the EU.

5 POLICY IMPLICATIONS

- 5.1 This report has been screened for any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. There are no major issues.

6 CONSULTATIONS

- 6.1 The Council Management Team has been consulted in the preparation of this report and agrees with its contents.

7 BACKGROUND PAPERS

None.