

REPORT TO: POLICY AND RESOURCES COMMITTEE - 11 JANUARY 2021
REPORT ON: BREXIT UPDATE
REPORT BY: CHIEF EXECUTIVE
REPORT NO: 43-2021

1. PURPOSE OF REPORT

This report provides an update on the future relationship between the UK and the EU, on other related domestic political developments, and on work by the Council to deal with the consequences of the new arrangements.

2. RECOMMENDATIONS

It is recommended that members:

- (i) note the outcome of negotiations between the UK and the EU on their future relationship and other related domestic political developments; and
- (ii) note the work which continues to be carried out by the Council to deal with the consequences of the new arrangements from 1 January 2021.

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 likely to exacerbate the financial issues caused by COVID-19. These are being actively monitored by officers.
- 3.2 Fuller impacts will continue to be assessed and reported to Committee as the effects of the end of the transition period on 31 December 2020 and the beginning of the UK's new relationship with the EU from 1 January 2021 become clearer.

4. LATEST POLITICAL DEVELOPMENTS

4.1 Outcome of UK/EU Negotiations

- 4.1.1 The UK left the EU on 31 January 2020 but nothing much changed during the course of 2020 as the UK continued to follow EU rules during a transition period to allow both sides time to negotiate their future relationship. The transition period ended on 31 December 2020.
- 4.1.2 On 24 December, it was announced that the UK Government and EU Commission had agreed, in principle, a Trade and Co-operation Agreement covering their future relationship. The UK Parliament was recalled to consider this legislation over one day on 30 December 2020. EU bosses officially signed the agreement in Brussels before it was flown to London on 30 December by the RAF for Boris Johnson to sign once agreed by Parliament.
- 4.1.3 As the Bill legislates in devolved areas, the UK Government requested legislative consent from the devolved administrations. To consider this, the Scottish Parliament was also recalled on 30 December 2020. After debating the deal, MSPs from the SNP, Labour, Greens and Liberal Democrats all voted to reject the post-Brexit trade deal agreed between the UK and the EU, calling instead for a "pause" in the process to reconsider. The "Sewel convention" of devolved consent holds that the UK Government would "not normally" legislate across areas for which the administrations in Edinburgh, Cardiff and Belfast are responsible without the express consent of the devolved legislatures. However, the Brexit process has seen UK Ministers press

ahead with several pieces of key legislation rejected by MSPs, arguing that departure from the EU is not a normal set of circumstances.

- 4.1.4 The EU (Future Relationship) Bill was approved by the Westminster Parliament on 30 December, paving the way for it to take effect on 1 January 2021. Under EU rules, the agreement can take effect provisionally, pending a vote by the European Parliament in January. The full agreement runs to more than 1,200 pages, but key points include:

Trade

- There will be no extra charges on most goods (tariffs) or limits on the amount of goods that can be traded (quotas) between the UK and the EU from 1 January. However, UK firms will have to certify the origin of their exports and there will be limits on what proportion of goods can be assembled from parts made overseas to qualify for tariff-free access to the EU.
- There will be extra checks at borders, such as safety checks and customs declarations, which will add cost and bureaucracy for businesses that rely on transporting goods to and from the EU.
- Trade in agricultural produce will benefit from the zero-tariff, zero-quota terms, without which the export of certain meat and dairy products faced tariffs over 40% in line with WTO rules. However, the lack of an equivalence agreement on phyto-sanitary rules means that shippers will face new hurdles at borders. Food consignments will have to have health certificates and undergo sanitary checks, and this includes food products entering Northern Ireland from Great Britain.
- For services, including financial services - a significant part of the UK economy - the situation is still unclear. There is no decision on so-called equivalence, which would allow firms to sell their services into the single market from the City of London. The agreement only features standard provisions on financial services, meaning it doesn't include commitments on market access. The UK and EU will discuss how to move forward on specific equivalence decisions. The European Commission, which is in charge of allowing access to the EU's market, said it needs more information from the UK and it doesn't plan to adopt any more equivalence decisions at this point.
- There will no longer be automatic recognition of professional qualifications such as those held by doctors, nurses, dentists, pharmacists, vets, engineers or architects, although the deal does create a framework for the recognition of qualifications in future.

Level Playing Field

- Both sides have committed to upholding environmental, social, labour and tax transparency standards to ensure they do not undercut each other. The deal does not include ratchet clauses that would force the UK to keep its rules in lockstep with the EU. Instead, it includes a re-balancing mechanism - either side will be able to retaliate with tariffs (restricted to what is necessary and proportionate to remedy the situation) if they diverge too much. Any retaliatory measures will be subject to arbitration by an independent panel - not the European Court of Justice.
- Both sides will be prevented from giving an unlimited state guarantee to cover a company's debts or liabilities. In line with EU law, the UK won't be able to rescue a failing firm without a restructuring plan, and any aid to failing banks will have to be the minimum necessary to help it wind down. The UK and the EU will have to disclose any subsidies they award.

Mobility / Travel

- The free movement of people will end. UK nationals will need a visa for stays of longer than 90 days in the EU in a 180 day period, and there will be extra border checks for UK travellers. Short-term business visitors will not need to hold work permits or undergo economic needs tests. Managers and specialists will be allowed to stay for up to three years and trainees for up to a year. People visiting to set up businesses will be permitted to remain for up to 90 days in any six-month period.

- British travellers will still be able to access emergency healthcare in the EU. European Health Insurance Cards will remain valid until they expire. From 4 January 2021 a new UK Global Health Insurance Card (GHIC) instead of an EHIC will be available for anyone who does not have one and will eventually replace EHICs. From 1 January 2021, GHICs and most UK EHICs will not cover UK visitors in Norway, Iceland, Liechtenstein or Switzerland.
- The UK and the EU will co-operate on "fair and transparent rates for international mobile roaming" but there is nothing to stop British travellers being charged for using their phone in the EU, and vice versa.
- EU pet passports will no longer be valid.

Social Security

- The agreement contains a detailed protocol on social security co-ordination. UK nationals travelling, working or living in the EU (and vice versa) will retain entitlements to some benefits, including state pensions, healthcare, disability benefits, unemployment benefits and maternity/paternity benefits. Where eligible, UK nationals will be treated equally to EU nationals (and vice versa).

EU Programmes

- The UK will continue to pay into and participate in some EU funding programmes in areas of mutual interest. The programmes to which the UK has decided to continue access are Horizon Europe, the Euratom Research and Training programme, the fusion test facility ITER, Copernicus, and the EU's Satellite Surveillance and Tracking services.
- The UK will however no longer participate in the Erasmus exchange programme which helps students study in other countries. In its place will be a new worldwide scheme named after the mathematician and codebreaker Alan Turing. Students at Universities in Northern Ireland will continue to participate in Erasmus, as part of an arrangement with the Irish Government. The Scottish Government's views on Erasmus are set out in paragraph 4.1.7 below.

Transport

- UK and EU hauliers and passenger transport operators will be able to continue operating between and through UK and EU territory without additional permits or licenses. Hauliers must adhere to certain safety and working standards, including limits on driver hours, rules on professional qualifications, tachographs (speed and distance meters) and vehicle specifications.
- UK and EU carriers will be able to carry out passenger and cargo flights between the UK and the EU without any limits on capacity or frequency. EU member states may strike bilateral agreements with the UK for cargo flights to be carried out between the UK, the EU member state, and a third country. The agreement covers air traffic rights and aviation safety.
- UK and EU ships will have access to each other's ports, port infrastructure and customs facilities on terms no less favourable than those applied to their own vessels.

Data Flows

- The deal includes a temporary solution to keep data flowing until the EU has adopted a data adequacy decision in relation to the UK. This bridge period will last a maximum six months, or end as soon as the EU's data adequacy decision has been finalised, which is expected to happen in early 2021. Personal data shipped to the UK during this interim period "shall not be considered as transfer to a third country."
- Both sides committed to uphold high levels of data protection standards and to ensure "cross-border data flows to facilitate trade in the digital economy" without imposing limits on where data can be stored or processed.

Security

- The UK will no longer have automatic access to key databases, but should be able to gain access on request to information such as DNA, fingerprint and airline passenger information transfer (Passenger Name Record - PNR) as part of investigations into terrorism and serious crime.
- The UK will not be a member of Europol - the EU's law enforcement agency - but will have a presence at its HQ (similar to the USA).

Energy

- The UK will not have access to the EU's internal energy market but there will be new arrangements in place by April 2022 to make sure that trading is smooth and efficient on interconnectors - power cables that run between the UK and Europe - which are important as the UK gets 8% of its power from the continent.
- The UK is no longer part of the EU's emissions trading system but both sides have agreed to cooperate on carbon pricing in future and "consider linking their respective systems." The UK-EU agreement would be suspended if either side breaches their commitments to the 2015 Paris Climate Agreement.

Fishing

- The UK becomes an independent coastal state and can decide on access to its waters and fishing grounds.
- However, EU boats will still be able to fish in UK waters for some years to come. 25% of the value of their current catch will now become available for UK fishing boats, but there will be a transition period of five-and-a-half years during which that is phased in.
- The UK and EU will regularly negotiate on access to each other's waters. British officials stress the UK will be in control of its own waters but the EU would be able to impose tariffs on fish if its access to British waters was limited. Fishermen's leaders have accused the UK Government of sacrificing their interests.

Dispute Settlement

- The UK and the EU will first try to resolve disputes by diplomacy through a new UK-EU joint committee (called the Joint Partnership Council). If they cannot resolve their disputes consensually, they can refer most disputes to an independent tribunal. Some disputes cannot be referred to the independent tribunal. Instead, the UK and the EU can use traditional trade remedies in the form of tariffs or suspend parts of the UK-EU Trade and Cooperation Agreement.
- If they cannot resolve their dispute amicably, they can refer most disputes to an independent arbitration tribunal which will be convened for each dispute and will have up to 160 days to issue a ruling.
- There is no role for the European Court of Justice (ECJ) – a key ask from the UK – although the ECJ will still have jurisdiction with respect to the application of EU rules under the Northern Ireland protocol and over EU research programmes in which the UK chooses to participate.

4.1.5 The EU Commission has produced a summary comparing the Trade and Co-operation Agreement to EU membership, and a copy of this document is attached for information as Appendix 1.

- 4.1.6 The UK Government has acknowledged there will be "bumpy moments" for businesses and travellers as they get to grips with the new rules. UK Government Minister Michael Gove said there will be "practical and procedural changes that businesses and citizens need to get ready for". He urged businesses to make sure they understand the new rules on importing and exporting goods, including the different rules that apply to trade with Northern Ireland, and to consider how they will make customs declarations on EU trade, and he encouraged travellers to EU destinations from 1 January to take out comprehensive travel insurance, check their mobile phone provider's roaming charges and make sure they have at least six months left on their passports.
- 4.1.7 The Scottish Government has said that millions of businesses will now face "a mountain of extra costs, red tape, bureaucracy and barriers to trade". They have signed a lease to use a former military airfield in Dumfries and Galloway as an emergency lorry park for up to 240 vehicles if there is disruption at the port of Cairnryan, near Stranraer.
- 4.1.8 The Scottish Government has also criticised the decision to withdraw from the Erasmus programme. This was described as "a huge blow" by the Scottish Government's Universities Minister, who said the UK's alternative scheme is a watered-down and less well-funded version of Erasmus and is not even an exchange programme because there is no support for visits to Scotland. Erasmus is currently used by more than 2,000 Scottish students and staff annually, and Scottish Government figures estimate the value of Erasmus to the economy as nearly £34 million annually since 2014.

4.2 The Internal Market Bill and Common Frameworks

- 4.2.1 The main purpose of the Internal Market Bill is to create a fair and seamless "internal market" between the UK's four separate nations after the UK leaves the single market and customs union at the end of the transition period. In essence, it will mean that most goods, services, or professional qualifications in one of the nations of the UK can be automatically traded or apply in the other parts of the UK.
- 4.2.2 Following repeated defeats in the House of Lords, as peers sought to defend the rights of the devolved administrations, the UK Government has agreed amendments to the Bill that they say will protect the "common frameworks" agreed with Scotland, Wales and Northern Ireland after the transition period ends. There was concern that the original provisions would have reserved previous EU powers over food safety, minimum pricing, environmental policy, and animal health and welfare, and many feared the UK Government would use the legislation to embark on a "race to the bottom" on key standards. Under the agreed concessions, the "common frameworks" will be given legal force on the face of the Bill, along with exemptions from the application of "market access principles" which would have seen rules applied uniformly across the UK. Common frameworks allow the different nations within the UK to set their own standards in those key areas of trade. Another change will mean that regular five-year reports on the issue will have to include details about the interaction between market access principles and common framework agreements between the UK government and those in Scotland, Wales and Northern Ireland.
- 4.2.3 However, both the Scottish and Welsh Governments believe the Internal Market Bill still goes too far and that the amendments above do not fundamentally alter the substance of the legislation. The Welsh Government has formally notified the UK government of possible legal action which could lead to judicial review of the new legislation, and the Scottish Government has said "when the UK Government replies to the legal letter from the Welsh Government we will work with Wales to consider next legal and constitutional steps."
- 4.2.4 The Common Frameworks referred to above are at the consultation stage. COSLA is calling for both the UK and Scottish Governments to put in place a transparent consultation process with Local Government to acknowledge that many such frameworks intersect with the powers and functions of Local Government, including waste, procurement, air quality and other environmental, health and safety, and trading standards.

4.2.5 The Internal Market Bill originally included particularly controversial provisions which would have given UK Government Ministers the power to override the Withdrawal Agreement - including the accompanying Northern Ireland Protocol for post-Brexit border arrangements on the island of Ireland - and therefore break international law. The UK Government and EU Commission reached agreement in mid-December on arrangements for the Irish border, as a result of which the Government has said it will scrap these aspects of the Bill.

4.3 **The Scottish EU Continuity Bill**

4.3.1 This Bill was passed by the Scottish Parliament on 22 December and will give powers to Scottish Ministers to keep pace with future EU legislation. The Bill introduces statutory consultation for Local Government on future environmental obligations and COSLA has been lobbying to ensure that Local Government is consulted formally whenever Ministers wish to introduce any new relevant obligations to keep pace with EU standards.

4.4 **UK Shared Prosperity Fund**

4.4.1 The UK Shared Prosperity Fund (UKSPF) is intended to replace the funds which areas currently receive from European programmes. The UK Government had said it would announce details of the UKSPF as part of the Comprehensive Spending Review (CSR) which took place on 25 November. However, the CSR did not provide as much information on the UKSPF as anticipated. Instead the Chancellor said that the UK Government will launch a series of pilot projects, worth £200 million, in order to help local areas prepare for new approaches, and that the full funding profile of the UKSPF will be set out at the next Spending Review in Spring 2021. In terms of quantum, the Chancellor said that total UK-wide funding would at least match EU receipts, on average, reaching around £1.5 billion a year.

4.4.2 Ahead of the CSR, the Scottish Government had published its own proposals, setting out high-level principles on how it would like the UKSPF to operate in Scotland. Their proposal asks the UK Government to transfer £1.283 billion over a 7 year period to replace funding from the European Regional Development Fund (ERDF), the European Social Fund (ESF), European Territorial Cooperation (Interreg/URBACT) and LEADER. Levels of required match funding would be decided once the UK Government has announced the quantum and conditions of the funding. The main aim would be to “reduce economic and social disparities within and between places and people in Scotland” and this would be underpinned by 4 key themes - Improving Places, Tackling Poverty, Skilled People and Business and Jobs Growth, with Wellbeing and Climate Change as horizontal themes cutting across all activities. Decentralisation of funding is core to the Scottish Government’s proposed framework, with much of the authority and responsibility to develop and deliver local programmes being devolved to regional and local partnerships and with councils playing a central role. The Scottish Government’s paper says: “Councils have been and will remain integral to determining and deciding regional strategies in the form of growth deals, regional economic plans and a variety of other activities.”

4.4.3 However, it remains to be seen how the UK Government will respond to these proposals. Although the UK Government said in July 2018 that the UK Shared Prosperity Fund would operate in a way that respects the devolution settlements, there is still a concern that they will use the scheme to spend money directly in devolved areas, bypassing the devolved governments. The Internal Market Bill, which provides the legal basis for the UKSPF, makes this a new reserved power, whereas existing EU Structural Funds have been largely devolved. The UKSPF Heads of Terms, published as part of the CSR, state that the fund will operate UK-wide, and that investments and programmes will display common branding. This suggests that the UK Government may implement plans for the UKSPF different to what has been proposed by the Scottish Government.

4.4.4 As part of the CSR, the Chancellor also announced a UK-wide Levelling-Up Fund “worth £4 billion for England, that will attract up to £0.8 billion funding for Scotland, Wales and Northern Ireland in the usual way.” The aim of this fund is to invest in regional infrastructure that has a visible impact on local communities. Projects that can be funded include bypasses and other local road schemes, bus lanes, railway station upgrades, regenerating eyesores, upgrading town centres and community infrastructure, and local arts and culture. It will prioritise bids to drive growth and regeneration in places in need. It is not yet known how this will operate in Scotland. The UK Government will publish a prospectus for the Fund and launch the first round

of competitions in the New Year. If the Fund operates in a similar way to that proposed for England, the Council will need to consider priorities and whether to bid.

5. COUNCIL PREPARATIONS

5.1 Horizon Scanning / Engagement with Governments, COSLA etc

5.1.1 Although largely focused on supporting the Council's response to the COVID-19 pandemic and the process of recovery planning, officers involved in the Brexit Advisory Team have continued to keep in touch with Brexit developments and participate actively in teleconferences organised by the UK and Scottish Governments, COSLA etc with the aim of ensuring that any risks and/or opportunities flagging nationally or from other local authorities are assessed here.

5.1.2 Officers within the Council also continue to participate actively within their professional networks and liaise with other Councils/COSLA/ESEC/Scottish Cities Alliance etc on a regular basis.

5.2 Citizens' Rights

5.2.1 Information on the number of applications to the settled status scheme (EUSS) continues to be monitored. The Home Office's latest quarterly statistics on applications up to 30 September 2020 showed that 3460 Dundee residents had been awarded full settled status and 2650 pre-settled status. There is no mechanism to know exactly how many people in each Council area are 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. The National Records of Scotland estimated there were 6000 EU citizens living in Dundee but recognised this could be out by 3000 either way. Clearly the 6000 was an under-estimate, as there have already been more than this number of applications. If the figure was as high as 9000, then the number of applications to date would represent around 72% of this figure.

5.2.2 A communications campaign has continued to ensure that EU citizens are aware of the need to apply for settled status and of the assistance available. We have continued to update the dedicated page on the Council's website which outlines the EUSS scheme and signposts people to UK/Scottish Government information. We have made use of both Governments' campaigns and toolkits, and we have also promoted the advice and information available through the Citizens Rights Project. Social media channels such as Twitter, Facebook and LinkedIn have also been used, with regular posts providing key information.

5.2.3 A priority remains to ensure that vulnerable people are assisted to apply, and efforts have been stepped up to raise awareness among employees who may be in contact with people who need to apply but may lack awareness of this or lack the capacity to apply independently. There are particular concerns about older people and people with physical or mental health issues, those who may have more transient lifestyles and those who have poor English or are less likely to access sources of information and advice. Further information has been sent to services and we have promoted awareness raising sessions organised by COSLA and the International Organisation for Migration. Information will also be targeted through trade unions and the Pension Fund website, and we are planning to put recorded messages on Council helplines.

5.2.4 The Council has a responsibility to apply for settled status on behalf of any looked after children who are EU citizens. Children and Families have identified that we currently have two children in our care who are citizens of a country to which the EUSS applies, and those children are being 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 in future will also be supported through the EUSS process if appropriate.

5.2.5 Regarding pre-settled status, the Court of Appeal has handed down a ruling that should, if not successfully appealed, make it easier for millions of EU citizens with pre-settled status to claim benefits. The UK Government had brought in regulations that stopped people with pre-settled status from simply showing that to the Department for Work and Pensions as proof of their right to reside in the UK, but two EU citizens argued that this was unlawful discrimination against them on the ground of nationality, contrary to EU law. The Court of Appeal agreed that “once a right of residence [like pre-settled status] had been established... discrimination was prohibited outright”. That being the case, there was no way for the government to justify the discrimination, which it had successfully done in the High Court. It was however a split decision, with one of the judges finding, as the High Court had done previously, that this is mere indirect discrimination that could be justified. The split decision means that the Supreme Court may take up the case.

5.3 **Local Economy/Businesses**

5.3.1 The economic damage being caused by COVID-19 seems certain to leave businesses even less prepared for the changes brought about by the new relationship between the UK and EU. We have encouraged businesses to prepare for the end of the transition period by taking action to adapt to the changing business environment and in particular to changes to exports and imports which may affect them and their supply chains. This has included promoting the use of Scottish Enterprise checklists and toolkits, encouraging applications for Scottish Government grants and circulating advice from Business Gateway.

5.3.2 In particular, we have also helped to promote services offered by Dundee and Angus Chamber of Commerce to help local businesses prepare for the changes - including events, webinars and their service to assist businesses with export documents and customs declarations - and we will continue to work closely with the Chamber on any additional assistance we can provide.

5.3.3 A survey of companies by Scotland's enterprise agencies in November-mid December found only a quarter saying they were fully aware and prepared, with two-thirds saying 'aware and getting prepared'. Weaknesses in preparations were around customs declarations, readiness of supply chain partners, trade to Northern Ireland and data sharing. But visits to the 'Prepare For Brexit' website and enquiries to the helpline did increase in the weeks leading up to the end of the transition period.

5.3.4 Support for the local economy will be a key consideration of the city's COVID-19 Recovery Plan and any Brexit related impacts will be factored into the associated workstreams.

5.4 **Workforce**

5.4.1 We have continued to communicate with our workforce about EU settled status. This has been done through our One Dundee staff intranet, allstaff emails and the Chief Executive's monthly blog, and the communications have also encouraged employees to share information with friends and relatives.

5.4.2 The likely impact on service delivery if the number of EU citizens in our workforce was to reduce continues to be assessed as low, and as manageable through workforce planning. We are not anticipating any major implications for the Council workforce based on current establishment and recruitment patterns. The new points-based immigration system will have implications for recruitment, and Human Resources are considering the details of the new system and the implications for our status as sponsors.

5.4.3 Dundee Health and Social Care Partnership commission a significant amount of social care from partners. The last time recruitment was discussed with them it was not considered to be a major issue but the Partnership will continue to liaise with providers to confirm this remains the position following the changes to immigration rules, and to identify any issues which emerge.

5.5 **Procurement**

5.5.1 The Procurement Team has been advised of new arrangements for inviting tenders and is prepared. All services have been reminded to identify any concerns/issues they have, or any intelligence they receive from professional networks regarding:

- any particular sectors of the workforce, or the workforce of any private or third sector organisations they deal with, which may be affected by the end of the transition period and the new relationship between the UK and EU.
- any issues about supply chains and the cost and availability of any products or services we use.

5.5.2 The Council have no direct European suppliers, and all existing contract pricing is fixed for the periods of contract (generally 3 years with option of extension) with the exception of inflationary clauses. There are no Brexit clauses within any Council contracts, thus any risk of detrimental impact of the changes would be on the part of the supplier, not the Council.

5.5.3 Much of the Council's procurement is done through Scotland Excel and they have produced a paper providing detailed information regarding key commodity areas that have been impacted and are likely to be further impacted due to a concurrence of Brexit and COVID-19 issues. The paper sets out issues affecting materials required for construction, PPE, food and catering, education, transport, environmental maintenance and care services, and it sets out a range of mitigation measures to deal with any supply issues. Scotland Excel will develop further contingency planning at a category level, and will continue to collaborate and improve cross sector functionality with all stakeholders and partners using management information and analysis of key supply chains. Scotland Excel will review business plans, refocusing resource where it is most needed to support Councils. This will involve a revised Operating Plan to maintain business continuity and further engagement to ensure resilient supply chains. Scotland Excel will run a bi-weekly (or weekly if required) meeting after 31 December, where any new updates will be provided to council representatives. Alongside this, a newsletter style update will be provided, outlining any supply chain issues, including those identified to Scotland Excel by other public bodies. Looking ahead, procurement teams are reviewing delivery plans, including releasing any tenders previously put on hold during the crisis, which will be coordinated carefully to avoid flooding the market, as many businesses may still be in recovery mode and perhaps less able to bid.

5.5.4 Tayside Contracts had undertaken an exercise (before COVID-19) to ascertain the potential impacts of Brexit disruption to supply routes and have recently revisited this in conjunction with their suppliers. Tayside Contracts have a new school lunch menu starting after the holidays and have completed an analysis to identify products that may be at risk, working with suppliers to categorise product items as below:

- A = Direct supply from outside UK, short shelf life (under 21 days)
- B = Direct supply from outside UK, long life (over 21 days)
- C = Indirect, UK produced or stored/repacked but with key ingredients from outside UK, short shelf life (under 21 days)
- D = Indirect, UK produced or stored/repacked but with key ingredients from outside UK, long life (over 21 days)
- F = No impact, UK produced with UK key ingredients

Brakes is their main supplier for frozen goods and groceries, and none of the products bought from them are in Category A or C. Two contingency menus have been developed, based on the 3 choice 'normal' menu. One is based on Category B, D and F items, and the second - which will be used in the worst case scenario of disruption to supplies - is based on Category F items only.

As Tayside Contracts are moving to a Central Production Unit service delivery model from January, and production is 2 weeks ahead to ensure freezing and delivery to schools in time for the relevant day, it may be that some schools might be short of certain menu items but they would be able to provide an alternative so that all children will get a meal. They won't be able to produce a bespoke adapted menu for all pupils with special dietary needs, but will try to cater for them from what is available.

Tayside Contracts have also confirmed that their contracts with suppliers are three years in duration and are fixed for the period of contract. Therefore, any risk of detrimental impact of the changes would be on the part of the supplier, and would result in them having to resource alternative supply channels.

5.6 Regulatory Matters

- 5.6.1 Officers are continuing to monitor any discussions about regulations, potential changes to regulations, or opportunities to streamline or improve the regulatory environment after Brexit.
- 5.6.2 In particular, we have been carefully considering any implications relating to data protection and environmental health issues. Scientific Services have flagged up that discussions are ongoing nationally about the capacity of public analyst laboratories to deal with the additional checks (and fast turnaround times required) on food and animal feed imports and exports.

5.7 Funding

- 5.7.1 Dundee benefits from a significant amount of EU funding, and a detailed analysis of the projects and staffing supported by this funding has been carried out and continues to be kept under review.
- 5.7.2 A priority for the Council has been to seek to influence the size and shape of the proposed UK Shared Prosperity Fund which is due to replace EU structural funds once the Treasury Guarantee for existing projects ends. The UK Government's commitment to consultation on this proposed Fund never materialised and the latest position is as set out in section 4.4 above. Depending on how this plays out, further consideration may need to be given to the future of projects currently funded or part funded by the EU, and how these fit in with the priorities to be set out within the city's COVID-19 Recovery Plan. An in-depth assessment of the staffing cost implications will be undertaken as part of this exercise.

5.8 Other Financial Impacts

- 5.8.1 Officers have modelled the impact of a number of scenarios relating to Brexit on prices, interest rates etc. No specific contingencies have been made in budgets, and although general reserves had been increased slightly these will be impacted by COVID-19. Cash flow monitoring will pick up any emerging issues and risk factors to be taken into account in medium/long-term financial planning. Assessment of current capital plan implications has also been undertaken, including a review of scenarios of interest rate changes on plans and borrowing.
- 5.8.2 There will be an adverse impact on Council finances from the COVID-19 pandemic and the predicted recession which will follow. The impact of Brexit will be another element to factor into a broader review of the Council's finances, against a backdrop of existing pressures on local authority budgets and on public expenditure in general.
- 5.8.3 We are continuing to monitor the time spent by officers on Brexit preparations and feed information on this to COSLA with a view to making cases for funding.

5.9 Resilience

- 5.9.1 The Council is linked into national, regional and local resilience planning arrangements and these were re-activated in the lead up to 31 December, on the basis of 'reasonable worst case scenario' assumptions which included concerns about delays at ports affecting the supply of food, fuel and medicines. Reporting to the National Co-ordinating Centre resumed from 28 December and arrangements were put in place to ensure that reporting of any local issues was fed into Resilience Direct.
- 5.9.2 Although planning for the implications of the new arrangements has added to the existing pressures on emergency planning and on the workload of the officers concerned, the COVID-19 response has strengthened networks and relationships (e.g. in relation to food insecurity, advice and community support) which will assist with any further resilience planning required.

5.10 Communications

- 5.10.1 We continue to review and update our Brexit webpages, linking into key UK and Scottish Government information and communications. Information is available for citizens and businesses and also on what we are doing as a Council. Social media channels are being used regularly to highlight events and key information. Frontline services, including across the Dundee Partnership, have been briefed and given information to support citizens.
- 5.10.2 Priorities for communications in the coming period will be to continue to encourage citizens to apply for settled status prior to the 30 June 2021 deadline and to encourage businesses to deal with the arrangements which came into force from 1 January 2021.

6. OPPORTUNITIES

As the UK left the EU on 31 January 2020, it was agreed that, along with attempting to mitigate the negative consequences of leaving the EU, a key focus during the transition period would be to identify any opportunities that may arise and may go some way to countering the anticipated impacts.

This work has now 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 will 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 simply returning to the pre COVID-19 status quo.

Specific opportunities identified in the last report 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 the UK Shared Prosperity Fund as described earlier in the report and will seek to secure funding once decisions are made.
- As COVID-19 restrictions allow, continue promoting Dundee and the wider surrounding area for 'staycations', building on our recent 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.
- Lobbying for the location of any new civil service jobs relating to new trade and custom arrangements to be located in Dundee - we are continuing 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.
- 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.

7. POLICY IMPLICATIONS

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.

8. CONSULTATIONS

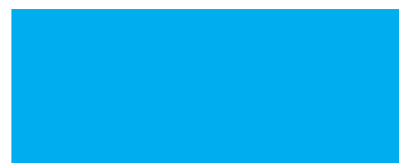
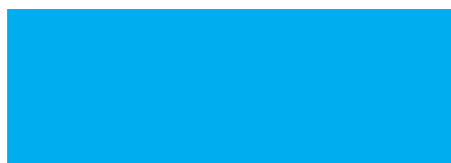
The Council Management Team was consulted in the preparation of this report.

9. BACKGROUND PAPERS

None.

GREGORY COLGAN
CHIEF EXECUTIVE

DATE: 31 DECEMBER 2020





December 2020






EU-UK RELATIONS:

Big changes compared to benefits of EU membership

CHECKLIST

	EU-UK Trade and Cooperation Agreement	EU Member State
 FREE MOVEMENT OF PEOPLE		
▶ Removal of border checks	✗	✓
▶ Pet passports	✗	✓
▶ Visa-free travel (90 days in a 180-day period)	✓	✓
▶ Visa-free travel (beyond 90 days)	✗	✓
▶ Right to work, study, live in another EU country	○	✓
▶ Removal of roaming charges	✗	✓
 TRADE IN GOODS		
▶ Frictionless trade	✗	✓
▶ Zero tariffs or quotas	✓	✓
▶ Zero customs formalities	○	✓
▶ Zero SPS checks	✗	✓
▶ Zero rules of origin procedures	○	✓
▶ Fisheries agreement	○	✓

○ specific conditions related to EU-UK Trade and Cooperation Agreement

	EU-UK Trade and Cooperation Agreement	EU Member State
▶ Benefit from the EU's international agreements	✗	✓
 TRADE IN SERVICES		
▶ Financial services passport	✗	✓
▶ Easy recognition of professional qualifications	✗	✓
 AIR TRANSPORT		
▶ Single aviation area, full freedoms	✗	✓
▶ Bilateral 5 th freedoms for extra-EU air cargo	○	✓
 ROAD TRANSPORT		
▶ Single internal transport market for hauliers	✗	✓
▶ Cross-trade operations	○	✓
 ENERGY		
▶ Single internal energy market	✗	✓
▶ Energy trading platforms	○	✓
 EU PROGRAMMES		
▶ Access to Erasmus	✗	✓
▶ Access to NextGenerationEU, SURE	✗	✓
▶ Galileo encrypted military signal	✗	✓
▶ Access to Horizon Europe	○	✓

○ specific conditions related to EU-UK Trade and Cooperation Agreement