

EAST RENFREWSHIRE COUNCIL  
AUDIT AND SCRUTINY COMMITTEE  
23 SEPTEMBER 2021

Report by Directors of Corporate & Community Services and Environment  
UPDATE ON WITHDRAWAL FROM THE EUROPEAN UNION

### **PURPOSE OF REPORT**

1. This report provides an update on the United Kingdom's (UK's) exit from the European Union (EU) and East Renfrewshire Council's work in response to this.

### **RECOMMENDATION**

2. It is recommended that the Audit and Scrutiny Committee:-
- (a) note and consider this report; and
  - (b) determine if any further updates are required.

### **BACKGROUND**

3. Following the results of the 2016 Referendum, the UK ceased its EU membership on 31 January 2020. From 1 January 2021, the UK and EU entered a new relationship primarily based upon a Trade and Cooperation Agreement; reached on 24 December 2020.
4. The agreements between the EU and UK have provisions that govern their future relationship, trade and citizen's rights. There remains potential for supplementary agreements. The Trade and Cooperation Agreement will be reviewed every five years.
5. Increasing numbers of goods and services are proving challenging to procure, and / or had substantial price increases. However, it is impossible to untangle how much of this is EU Exit related and how much is a consequence of the Coronavirus pandemic and other factors.
6. EU nationals seeking to protect their rights to live / work in the UK were invited to apply to the EU Settlement Scheme; which arose because of the end of Freedom of Movement between the UK and EU on 31 December 2020. From 30 June 2021, any EU nationals newly seeking to live / work in the UK will be required to meet the points based immigration criteria.
7. While the legal and regulatory landscape has yet to alter significantly, the UK and Scottish legislature may opt to alter this in the future. The UK will not have to follow EU rules and will not be subject to the European Court of Justice, however, both sides have committed to keeping policies within parameters that avoid unfair trade competition.

### **TRADE AND THE ECONOMY**

8. While the Trade and Cooperation Agreement provides for tariff free trade, businesses face increased import / export difficulties because of the changed border regime. As well as a challenging supply chain environment, import / export faces duty costs, as well as indirect costs arising from paperwork and goods checks. Export to the EU has been impacted, as there have been delays to import and Northern Ireland related measures being implemented. This

was primarily to allow the UK and businesses to adapt to the new border regime. On 6 September, the UK announced its intention to extend grace periods in relation to Northern Ireland on an indefinite basis. At the time of writing, all other grace periods in relation to import are due to expire on 1 October 2021 and 1 January 2022.

9. Across the Council, there has been impacts in relation to the pricing and availability of construction, road and environmental raw materials. These products have been subject to significant price increases, with container costs and port delays having impact. The latter element will be at least partially attributable to EU Exit and the changed border models. Additionally goods have faced longer lead times, arising from reductions in manufacturing or backlogs. A combination of Coronavirus, the Suez Canal blockage in March 2021 and EU Exit have contributed to this situation. Specific examples of product issues include:

- Copper: Pricing has increased from \$4,772 per tonne in April 2020 to \$9,949 in April 2021. Mining was impacted by Covid-19 lockdowns, evidenced by February 2021 showing 74,000 tonnes of copper available on stock markets – compared to 222,000 tonnes in April 2020. This deficit in availability has created a sellers' market.
- Timber: To March 2021, the price of sawn wood was 16.6% higher than in the previous year. Timber is particularly prone to EU Exit issues, as 80% of the wood used in the UK building industry comes from Europe.

10. Price increases and delays to these type of products increase the risk to our Capital Projects. As materials become scarce or come at an inflated cost, there is heightened risk that works will miss deadlines or exceed the budget allocated.

11. Price increases and product scarcity has affected our food purchasing. For example, poultry prices for school meals have increased by 27%. This exceeds worst-case scenario predictions for increases of up to 10% following a No Deal EU Exit. Prolonged lead in times have also impacted our vehicle purchasing. The period for carrying out specification and purchases was typically nine months, but this is now extending to eighteen months and beyond. This is linked to global shortages of component parts, for example microchips.

12. With businesses adapting to a changing border regime, it is anticipated our services that regularly interact with or support them will receive increased requests for information and advice. This is likely to impact upon Economic Development, Trading Standards and Environmental Health.

13. There will be a significant increase in the number of Export Health Certificates, (EHCs) required for products of animal origin, because of border regime changes. The need for EHCs have arisen through the Trade & Cooperation Agreement. They require to be signed by an authorised person; typically an Environmental Health Officer (EHO). There is significant concern that as UK border relaxations end in October 2021 and January 2022 – there will be a substantial escalation in the requirement for EHOs to check products and administer EHCs.

14. Coronavirus has already heavily driven EHO workload; as has the return to food inspections, etc. that had previously been permitted to be suspended in response to the pandemic. This workforce continues to face national shortage; any increase in requirement for EHCs will create further challenges. The Society of Local Authority Chief Executives discussed these concerns in August 2021, and this is a matter that COSLA regularly link with the profession to seek solutions from the Government.

15. In light of the current economic situation, recruitment and retention of employees is becoming a growing challenge. It has been well publicised that there is a national shortage of HGV drivers across the UK, which is seeing talent become highly sought after and attracting signing bonuses or increased wages. As mentioned, Environmental Health Officers have been and continue to be an area of workforce that is facing shortages. We have faced challenges in recruitment within Care at Home and of agency staff across a number of areas. These

broader employment pressures will likely mean that future recruitment will become more challenging, with salaries & benefits driven up in sectors with significant shortages.

16. It should be noted that the current economic climate is because of a number of factors. This includes EU Exit, but also Coronavirus and the Suez blockage. It is likely that these factors have combined to a perfect storm scenario; but it means that it is impossible to determine which challenges are because of EU Exit.

## **DATA & INFORMATION SHARING**

17. The EU provided the UK with an equivalency certification in relation to data protection and sharing in June 2021. This means that information sharing can carry on as it had done prior to EU Exit. The equivalency decision is unique in that it has a four yearly review built into it. Any review will consider if the UK has diverted significantly from its existing data protection measures, which are currently in line with those of the EU, this includes GDPR.

## **FUNDING**

18. The UK Government is due to launch the Shared Prosperity Fund in 2022, with a view to replacing previously available EU funding, such as Structural Funds. In the Autumn Statement, the UK Government indicated that additional funding to support communities would be available to bridge the gap between EU Funding and the Shared Prosperity Fund.

19. In Spring 2021, the UK Government confirmed that the Shared Prosperity Fund will be a competitive process. Local Authorities and projects will bid for funds - with the UK Government determining where funding will be awarded. This is similar to the process that is in place for the Community Renewal Fund and Level Up funding. The UK Government will be utilising the lessons learned from these schemes to shape the Shared Prosperity Fund.

20. The Council is exploring opportunities that may arise from these new funding streams. Our work on Inclusive Growth, Community Wealth Building and Community Capacity will be crucial to our success in seeking support under any funding streams.

## **LAWS & REGULATIONS**

21. Laws and Regulations in place have not directly altered because of the end of the Transition Period; with both the UK and Scottish legislature ensuring any elements derived directly from EU law were in UK / Scottish law.

22. Procurement law in Scotland has witnessed minor technical changes following EU Exit; however, procedures and basic requirements have not changed. Equal treatment to bidders from other countries, that are signatories to the World Trade Organisation's Government Procurement Agreement remains. The UK has become a party to this agreement in its own right, rather than by virtue of EU Membership. The primary change to public procurement is that public bodies will publish notices through the new UK system rather than the EU system.

23. It should be noted that as part of the UK – EU Deal, there is agreement for a level playing field in areas such as environmental standards, state subsidies and labour rights. Both parties are committed to keeping policies within parameters that avoid unfair trade competition. This should mean that these areas would not weaken from their current position; because significant changes would result in tariffs upon trade.

24. The Scottish Government have legislated through the European Union (Legal Continuity) (Scotland) Act, which aims to keep pace and equity with EU legislation. Under this Act, there is provision that seeks to ensure that Local Authorities will be consulted where the Scottish Government wants to introduce new powers.

25. The Internal Market Act 2020 came into effect on 31 December 2020, following the UK leaving the EU. The key principles of the Act are mutual recognition and non-discrimination. At its most basic level, the Act means that if goods and services can be legally sold in one part of the UK – they can be legally sold in all other parts. The non-discrimination principle prevents devolved governments from legislating in a way that discriminates between goods and services from other parts of the UK.

26. The impacts of the Internal Market Act will be better understood as it is tested by practical examples from the devolved administrations. One area where it has emerged that the legal basis of the Act will be used is in relation to Subsidy Controls. The Internal Market Act 2020 defined the power to grant subsidies to be a reserved power. The effects of this can be seen in the recent Subsidy Control Bill, where the proposal is that Governance of subsidies from public bodies is determined by Westminster. Devolved administrations will only be able to influence the new rules as part of the existing intergovernmental consultation arrangements.

## **EU SETTLEMENT SCHEME**

27. The EU Settlement Scheme closed on 30 June 2021. However, there are circumstances in which the Home Office is accepting late applications. The Scheme allows EU Nationals resident in the UK prior to 31 December 2020 to apply to protect their rights to live and work in the UK. Successful applicants receive either Settled or Pre-Settled status; depending on the period they have continuously lived in the UK. Settled Status will be awarded to successful applicants who have lived in the UK for five years or longer.

28. Home Office figures indicate that to the end of March 2021, there have been 1,260 Settlement Scheme applications within East Renfrewshire. With January 2021 National Records Scotland data highlighting approximately 2,000 EU Nationals resident in East Renfrewshire – this would suggest that 63% have applied to the Settlement Scheme. Home Office quarterly statistics are due for update in September 2021, providing data to the end of June 2021.

29. The Council's Brexit webpage continues to signpost the EU Settlement Scheme, the circumstances for late applications and avenues of support. Additionally, we have signposted alternative language events for potential applicants through Council social media channels. Similar information on the Intranet provides information and support for Council staff.

30. In the lead up to the June 2021 deadline, to encourage applications to the Settlement Scheme, The Council's Money Advice and Rights Team contacted EU Nationals who utilise the service to ensure awareness of the Settlement Scheme. A Frequently Asked Questions document was created for frontline staff who may have contact with Customers seeking direct support. This FAQ document was uploaded to the staff Intranet as well as being modified and shared with colleagues across the Health Board's HSCPs and in the private care sector. Collaboration took place with Citizens Advice and the Chamber of Commerce.

31. Additionally, the Brexit Coordinator will continue to work with partners to ensure that our messaging and approach to Settlement Scheme remains up to date. This will include monitoring and engagement with the Independent Monitoring Authority (IMA). The IMA are an independent body who were established to protect the rights of EU Citizens and uphold the terms of the Withdrawal Agreement on citizen's rights.

## **BREXIT WORKING GROUP**

32. The Council's Brexit Working Group meets to identify emerging issues arising from EU Exit – analysing their impact and appropriately focussing on risk controls, where required. The need for and frequency of meetings will be regularly reviewed, to ensure that it reflects issues arising.

33. The Brexit Working Group maintains a Brexit Risk Register, with any significant risks within this document reflected in the Council's Strategic Risk Register. The latest refresh of the Brexit Risk Register reflects the challenges in obtaining goods and services. The primary risks identified pertain to detrimental impacts on Council service provision – either arising from increased demand (for example through increased EHC requirements), or from a changed legislative framework. However, there is acceptance that risks will need to remain under review and be updated as more impacts emerge.

## **FINANCE AND EFFICIENCY**

34. There are currently no finance and efficiency implications arising from this report.

## **CONSULTATION**

35. This report has been produced with input from the Council's Brexit Working Group.

## **PARTNERSHIP WORKING**

36. This report details work of the Council's Brexit Working Group, a cross-discipline group of Council Officers. Each Council Department is represented along with a number of key areas. Additionally, the Council has worked with COSLA, Voluntary Action East Renfrewshire, the Scottish Government, Citizens Advice and the East Renfrewshire Chamber of Commerce as part of our EU Exit preparations.

## **IMPLICATIONS OF THE PROPOSALS**

37. There are currently no staffing, property, legal, IT, State Aid, equalities and sustainability implications arising from this report. However, it is noted that State Aid is a developing area of UK Government Policy. Council officers continue to review developments.

## **CONCLUSION**

38. In providing a broad overview of the status of the UK's exit from the EU, this report seeks to outline the main areas of impact upon East Renfrewshire Council, as well as work undertaken and ongoing. While the ongoing Covid-19 pandemic undoubtedly remains the priority, EU Exit procedures and preparations were well established, having been implemented for previous Brexit deadlines. These will be key mechanisms in responding to impacts from EU Exit that may develop, as the new UK-EU relationship becomes established.

## **RECOMMENDATION**

39. It is recommended that the Audit and Scrutiny Committee:-

- (a) note and consider this report; and
- (b) determine if any further updates are required.

## SOURCES CITED

EU Settlement Scheme Quarterly Statistics, March 2021:

<https://www.gov.uk/government/statistics/eu-settlement-scheme-quarterly-statistics-march-2021>

Annual Population Survey (APS), Office for National Statistics, National Records of Scotland (updated January 2021) – Tab 1B (Population by Nationality)

<https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/population-by-country-of-birth-and-nationality/jul-19-jun-20>

Note: Data from the APS is rounded to the nearest 1,000. If a figure is calculated to be under 500, it will be rounded to zero. As the APS is a sample survey, there are large confidence intervals that come with this data and therefore the true value will lie somewhere in this range (not necessarily zero).

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