

REPORT TO INFRASTRUCTURE SERVICES COMMITTEE – 1 OCTOBER 2020

PREPARING FOR EU EXIT & SUPPORT FOR EXPORTING BUSINESSES

1 Reason for Report/ Summary

- 1.1 The purpose of this report is to update Members on work by Aberdeenshire Council to prepare for supporting businesses to export goods to the EU as the UK nears the end of the EU transition period on 1 January 2021. It also proposes approved delegated powers to the Head of Economic Development and Protective Services to revise the fee for Export Health Certificates.

2 Recommendations

The Committee is recommended to:

- 2.1 **Delegate authority to the Head of Economic Development and Protective Services to adjust the fee for Export Health Certificates to companies exporting Products of Animal Origin for the period January to June 2021 following consultation with the Head of Finance, Chair, Vice Chair, and Opposition Spokesperson for Infrastructure Services Committee;**
- 2.2 **Instruct the Head of Economic Development and Protective Services to submit a further report to this Committee by the end of 2021 to set a revised fee to start from financial year 2022/23; and**
- 2.3 **Note and commend the work undertaken by officers to date, to prepare for supporting exporting businesses to the EU.**

3 Purpose and Decision-Making Route

- 3.1 The UK left the European Union (EU) at the end of January 2020, with the terms of the exit set out in a legally-binding Treaty known as the Withdrawal Agreement. The Withdrawal Agreement includes a transition period until the end of 2020, during which the UK will continue to be part of the EU Single Market and Customs Union and adhere to EU legislation. Negotiations are ongoing to establish an agreement on future relations between the EU and the UK. Furthermore, the UK will no longer be covered by trade deals other countries have with the EU from 1 January 2021. The UK Government is presently seeking to enter arrangements which reproduce the effects of existing EU agreements with [a number of countries](#) from this point.
- 3.2 Regardless of any trade agreement between the UK and EU being reached, additional customs processes are due to be introduced from 1 January 2021 when the UK leaves the EU Customs Union. These changes will have an impact on businesses which presently export to the EU, with the Council playing a role in providing support to business to adapt to these changes and issuing Export Health Certificates (EHCs) for exports of animal origin.

- 3.3 This report relates to charges for EHCs. In accordance with the Corporate Charging Framework approved by Full Council on 11 February 2016, this Committee must approve any amendment to charges for services within its remit which are not inflationary. However given that the financial impact of any changes to the processing of EHCs is currently unknown, the Committee is asked to delegate authority to the Head of Economic Development and Protective Services for a period up to 30 June 2021 to adjust the fees if required in order to reflect the change in circumstances. A further report will be submitted to this Committee before the end of 2021 requesting approval for a revised fee for 2022/2023.

4 Background

- 4.1 **Agriculture, food and drink**, the UK's largest manufacturing sector, is a major component of the economy of NE Scotland, generating annual turnover of £2.2Bn and employment for 22,000 people in Aberdeenshire, Aberdeen City and Moray. At 32%, the largest segment (£700M pa) is fishing (c.1300 jobs) and seafood processing (c.4000 jobs), followed by drinks (23%), bakery (13%) and meat processing (11%), with 'other accounting for 21%. In 2018, Scottish Sea Fisheries statistics revealed that 57% by volume and 45% by value of fish landings into Scotland by Scottish, UK and foreign vessels were into NE ports (mainly Peterhead and Fraserburgh) – respectively 199,180 tonnes and £233.3M. The North Sea and NE Atlantic is a very mixed fishery; in excess of 25 species are landed at local markets, but domestic demand is largely confined to a very narrow species range. The EU market is therefore vital for nephrops (*£108.2M in 2018), scallops (£88.9M), monkfish (£30.4M), herring (£34.2M), mackerel (£81.1M) – and also saithe, hake, megrim and squid. (*figures are UK totals but are heavily derived from NE output).

5 Discussion

- 5.1 From 1 January 2021, any goods exported to the EU from the UK will be subject to the EU's import procedures. Any business exporting to the EU from the UK will either need to build internal administrative capacity within their business or employ/contract a Customs Agent to act on their behalf.
- 5.2 Exporters will need to obtain an Economic Operator Registration and Identification Number (EORI) from an EU Member State. Any EORI numbers issued previously by the UK will no longer be valid in the EU from 1 January 2021. Customs declarations including an Entry Summary Declaration (ENS) and Single Administrative Document (SAD) would need to be completed and any tariffs, duties or VAT due paid before goods could be released into the EU market. In addition, Export Health Certificates (EHCs), issued by Local Authorities' Environmental Health Services, are required to export animals and animal products such as food.
- 5.3 The UK Government has made up to £84m available to build capacity in the customs intermediary sector. This includes £50m of grants for businesses for recruitment, training and IT improvements. Subject to meeting the scheme requirements, businesses may apply for the [following grants](#):

- **Recruitment grant** - £3,000 towards recruitment costs for each new employee and up to £12,000 to cover the salary costs for each new or redeployed employee.
 - **Training grant** - up to 100% of the actual costs of externally-provided training for employees, up to a limit of £1,500 for each employee on the course or £250 for each employee on an internal training course.
 - **IT improvements** - 100% of the costs relating to your IT expenditure to improve the efficiency of making customs declarations.
- 5.4 If a UK-EU free trade agreement is successfully negotiated and enters into force on 1 January 2021, some additional barriers to trade over and above customs barriers may be reduced or eliminated. At the present time, it is not guaranteed that a deal will be reached as there appear to be significant differences between the two parties on a range of issues, including governance arrangements; competition policy and regulatory alignment; and fisheries. At the time of writing, the final round of negotiations between the UK and EU is scheduled to conclude on 2 October 2020.
- 5.5 If a deal is not reached, both parties would trade under World Trade Organisation (WTO) terms. WTO regulations would require both parties to apply their respective Common External Tariff to each other's goods. Any preferential treatment of each other's exports over other WTO member countries would likely breach WTO rules. Quotas could be introduced by either party for agricultural/fisheries products, restricting the quantity of these goods which could be imported.

Export Health Certificates

- 5.6 The greatest volume of food exports (processed and unprocessed) from Aberdeenshire is to the European Economic Area. Under EU Single Market rules, there has been no requirement by UK exporters to provide a health export certificate or any other paperwork when exporting to mainland Europe or to Ireland.
- 5.7 With the end of the EU Transition Deal expected to occur on the 1 January 2021, the United Kingdom will be considered by the EU as a 'Third Country' for the purposes of trade from the UK to the EU, irrespective of the outcome of ongoing negotiations to agree a Free Trade Agreement between the UK and the EU. Businesses exporting products of animal origin (POAO) to the EU in these circumstances, will need to apply for an Export Health Certificate (EHC) in order to clear EU border controls. An EHC confirms that exported goods meet the health and quality requirements of the destination country. EHC's must be signed by either a Certified Veterinarian or Environmental Health Officer from an independent authority and are subject to the supplier having passed an inspection of their licenced premises - and for full compliance within the export supply chain, under which fishing vessels are also being inspected as food premises by the Council.
- 5.8 The great majority of EHC's generated by the Council are required for seafood exports (meat exports are covered by Food Standards Scotland). It is anticipated that the demands upon the Council to issue EHC's in 2021 will rise very significantly. While it is hard to predict the volume, it is anticipated it will

increase by a factor of at least ten to 1,000 per week. Whereas individual Councils currently set their own EHC fees, under dialogue between CoSLA and Scottish Councils, a unified council fee may be agreed per EHC is proposed for exports to Europe to deliver a 'level playing field' for exporting businesses across Scotland.

- 5.9 Infrastructure Services Committee, 25 January 2018, (Item 4) approved the fee for a Health Export Certification at £75. This charge would have been estimated on the basis of full cost recovery and that the service did at that time, relatively few certificates each year to third countries.
- 5.10 This paper is seeking agreement to accept that Aberdeenshire Council's EHC fees may need to be reduced for export certificates to the EU and Northern Ireland, to support the north east fishing industry. Officers must wait until the demand for EHCs for the EU and Northern Ireland is established before being able to make a recommendation to the Committee to set a revised fee structure. Therefore, this report is seeking authority to allow the Head of Service for Economic Development and Protective Services to vary the fee during the first 6 months of 2021, in consultation with the Head of Finance, and the Committee Chair, Vice Chair and Opposition Spokesperson. A report with a recommended revised fee would be presented to the Committee by the end of 2021 for fees to be implemented for 2022/23 financial year. The fee for non-EU country EHCs is not expected to be amended, as the work required to provide this service will be higher due to more individual paperwork requirements. However, if the recovery cost is lower, the delegated power as recommended in this report, could be used to adjust these fees also.
- 5.11 In order for an EHC to be issued, the relevant business is generally required to comply with the requirements of EU food safety legislation currently in force. Should a business fail to demonstrate compliance it will be at the discretion of the Certifying Officer, whether the document is issued. This will depend on the nature and significance of any non-compliance with this legislation. It is intended that officers visit businesses intending to export fish products to the EU prior to 31st December in order to review compliance levels. Thereafter businesses will be inspected in line with the requirement of the Food Standards Scotland Enforcement Code of Practice.
- 5.12 The Scottish Government has requested that Food Standards Scotland (FSS) take on the responsibility of coordinating national logistics export hubs to relieve the burden on local authorities. These hubs would be provided with additional staffing resources from FSS to issue EHC's. Councils will be required to provide FSS with statutory attestations confirming suppliers' compliance in their area relating to premises and processes. Additional FSS input to hubs is very welcome and will relieve some of the pressure on Aberdeenshire Council officials. However, it is anticipated that several Aberdeenshire processing companies, especially the larger ones which do not currently use transportation hubs or need to share loads, will still expect the Council to provide them with EHCs (the council already provides EHC's to several businesses exporting seafood to non-EU countries). Officers in Environmental Health have therefore been progressing a proposal to provide an expanded EHC service. Arrangements are not yet finalised, however the use of an administrative office and inspection facility, located in Peterhead Fish Market would allow for a 6 day a week, 12 hours a day service, staffed by Council officials, to issue EHCs. This would be run on a trial basis initially and will be flexible in the service it provides,

as it is not expected that the true demand will be known until up to 6 to 12 months after it is started. Discussion with officials at the Scottish Government and Food Standards Scotland continue with particular emphasis on resourcing.

6 Council Priorities, Implications and Risk

6.1 This report helps deliver the Strategic Priority “Economy and Enterprise” within the Pillar “Our Economy”.

6.2 The table below shows whether risks and implications apply if the recommendation is agreed.

Subject	Yes	No	N/A
Financial	X		
Staffing	X		
Equalities			X
Fairer Scotland Duty			X
Town Centre First			X
Sustainability			X
Children and Young People's Rights and Wellbeing			X

6.3 An equality impact assessment is not required because as it does not have a differential impact on any of the protected characteristics.

6.4 There are staffing and financial implications. The Environmental Health Service will undertake the issuing of EHC's therefore significant overtime and realigning of work will be required. The financial impact is unknown until the demand for the Council's service is known, which could take up to 12 months to determine (and is subject to potential change at any point that is not in the Council's ability to control). However, it is expected that the overall increase of income to the Service, will cover the additional cost of the service. However, there is a risk that this may not be the case, and therefore a review of the fees and income against cost of delivery, and sustainability of delivery will be undertaken prior to December 2021 and reported to the Committee.

6.5 The following Risks have been identified as relevant to this matter on a [Corporate Level](#)

- ACORP 001 – Budget Pressures in that an inappropriate level of fees and charges could negatively impact upon budgets.
- ACORP 006 – Reputation Management in that adjustment to the level of fees and charges, if not managed effectively, could potentially have a negative impact on the reputation of the Council

6.6 The following Risks have been identified as relevant to this matter on a [Strategic Level](#):

- ISSR008 - Economic Development: Impact of Brexit and potential loss of overseas markets and migrant workers.

7 Scheme of Governance

- 7.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and had no comments to make and are satisfied that the report complies with the Scheme of Governance and relevant legislation.
- 7.2 The Committee is able to consider this item in terms of Section F1.1b of the List of Committee Powers in Part 2A of the Scheme of Governance as the report relates to policy issues and resource matters (within agreed budgets) relating to Economic Development and Protective Services.

Stephen Archer,
Director of Infrastructure Services

Report prepared by Belinda Miller, Head of Economic Development and Protective Services
2 September 2020