

<b>Committee(s)</b> Port Health and Environmental Services Committee	<b>Date(s):</b> 21/07/2020
<b>Subject:</b> Update on the impact of the UK leaving the EU (Brexit) on Port Health & Public Protection	<b>Public</b>
<b>Report of:</b> Jon Avern, Director of Consumer Protection and Markets Operations	<b>For Information</b>
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### Summary

The United Kingdom (UK) left the European Union (EU) on 31 January 2020 and we are currently in a transition period until the end of 2020. During the transition period, arrangements and controls at the UK border will not change.

The UK has formally notified the EU that it will neither accept nor seek any extension to the Transition Period. However, because coronavirus has had such an unprecedented impact on all aspects of life, Government are introducing border controls in stages for imported EU goods to give businesses more time to prepare.

Although this gives an indication that checks will be required at the border, it does not yet provide the detail of the levels of checks. The service is working closely with Government Departments, operators, importers and agents to better understand and prepare for the impacts of the latest staged border controls.

The Committee has previously agreed six key principles that form the basis of the approach officers have been taking when representing the City Corporation in discussions with Government and its agencies.

All appropriate actions have been taken to reduce the risks associated with Brexit. These risks are also applicable to future trade uncertainties and they are unlikely to change until the future trading impacts are clearer.

It should be noted that the information in this report is based on our understanding as of 6 July 2020.

### Recommendation(s)

Members are asked to:

- Note the report.

## Main Report

### Background

1. Following the outcome of the referendum held in June 2016 in which the UK voted to leave the EU, the UK triggered Article 50 of the Treaty of Lisbon on 29 March 2017. This gave formal notice of withdrawal from the EU, which was originally planned for 31 October 2019. However, the date was pushed back to allow for a General Election in December 2019. This in turn led to approval of the Withdrawal Agreement Bill and the UK's eventual exit from the EU on 31 January 2020. We are now in a transition period until the end of 2020, during which current controls at the border will remain the same.
2. On 10 February 2020, the Government indicated that it plans to introduce import controls on EU goods at the border after the transition period ends on 31 December 2020. This means that the UK will be leaving the EU customs union and single market.
3. The Chancellor of the Duchy of Lancaster, Mr. Gove, confirmed all UK exports and imports will be treated equally. This will mean traders in the EU and UK will have to submit customs declarations and be liable to checks. He also confirmed that the policy easements put in place for a potential no deal exit will not be reintroduced as businesses have time to prepare. He also confirmed that there are a number of reasons for implementing import controls:
  - to keep our borders safe and secure so we know who's coming in and how often, what they are bringing in, and why
  - to ensure we treat all partners equally as we begin to negotiate our own trading arrangements with countries around the world
  - to collect the right customs, VAT and excise duties
  - the EU has said it will enforce checks on our goods entering its customs union. We will likewise enforce our own rules for goods entering the UK
4. This is the eighth report to your Committee on this issue and you have previously agreed six key principles that form the basis of the approach officers have been taking when representing the City Corporation in discussions with Government and its agencies. (Appendix 1: City Corporation - Six Key Brexit Principles).
5. Brexit remains on the Departmental Risk Register and is classified as a Corporate Risk. The latter includes the 'impact of Brexit on the movement of goods through the Port Health Authority/functions'. The Department continues to take all appropriate actions to reduce the risks associated with Brexit.
6. The Port Health Service has received sufficient funding from the FSA to cover all its Brexit related expenditure until 31 March 2020. However, further funding will be needed to maintain the existing resources until 2021; when checks at the border will be required. The Animal Health Service has generated enough income to cover all its Brexit preparations.

7. Since the UK voted to exit the EU, PH&PP officers have and continue to engage closely with Government and its agencies as well as with other interested organisations.

## **Current Position**

### The Border with the European Union - Importing and Exporting Goods

8. In June 2020, the UK formally notified the EU that it will neither accept nor seek any extension to the Transition Period. However, because coronavirus has had such an unprecedented impact on all aspects of life, Government is introducing border controls in stages for imported EU goods to give businesses more time to prepare.
9. The stages are:
  - a. **From January 2021:** Traders importing standard goods, covering everything from clothes to electronics, will need to prepare for basic customs requirements, such as keeping sufficient records of imported goods, and will have up to six months to complete customs declarations. While tariffs will need to be paid on all imports, payments can be deferred until the customs declaration has been made. There will be checks on controlled goods like alcohol and tobacco. Businesses will also need to consider how they account for VAT on imported goods. There will also be requirements for pre-notification, health documentation and checks on live animals and high-risk plants with physical checks being undertaken at the point of destination.
  - b. **From April 2021:** the requirement for Pre-notification and health documentation will be extended to all products of animal origin (POAO) – for example meat, pet food, honey, milk or egg products and all regulated plants and plant products. Documentary checks will take place remotely; other than for live animals and high-risk plants physical checks will not generally be undertaken.
  - c. **From July 2021:** Traders moving all goods will have to make declarations at the point of importation and pay relevant tariffs. Full Safety and Security declarations will be required. There will be an increase in physical checks and the taking of samples and these checks will take place at Border Control Posts.
10. Although this gives an indication that checks will be required at the border, it does not yet provide the detail of the levels of checks. For example, the percentage of physical checks and sampling that will be required; will it be similar to current third country arrangements, enhanced as for meat and meat products from Brazil or a lighter touch as for products from New Zealand. Although high-risk food not of animal origin will follow at some point, there is currently no indication of what this will include and the level of proposed checks.

## Port Health

11. Currently food and feed imported into the UK from a third country is subject to Official Controls relevant to the risk that the food or feed represents; risk includes the type of product, country of origin, volume imported and previous history. These products must be imported through a Border Control Post, which is within a Customs Boundary. This is not likely to change moving forward.
12. EU Products are not currently subject to Official Controls, but this will change from April 2021.
13. As part of its Brexit preparations the service has carried out a Change Impact Assessment based on a 10%, 25% and 50% increase in work/drop in efficiency as new systems and processes settle in. Early indications were that, based on the current trade patterns and routes, checking EU food and feed would increase workloads by 25%. This could increase further if trade was displaced to ports that the City Corporation are responsible for, from other UK ports that do not have the capacity or facilities to undertake official control on high-risk food and feed.
14. The service is working closely with Government Departments, the port operators, importers and shipping lines to better understand and prepare for the impacts of the latest staged border controls.
15. The Port Health service has been robust in its negotiations and has secured funding from the FSA to support its 'no deal' Brexit preparations in 2018/19 (£146k) and 2019/20 (£516k). The funding has been used to increase staff resource on a temporary basis to meet future demands; this includes 1 x Port Health Officer, 2 x Official Veterinarians and 3 x Port Health Technical Officers. This is a 15% increase in operational staff.
16. As the service aims to operate on a cost recovery basis, it is important that it secures appropriate funding for 2020/21 to ensure that it is able to maintain its current resources until the impacts of the latest proposals are clear. The Committee has previously been advised that the Port Health Service would therefore extend all temporary contracts until September 2020 in the expectation that the trade position will be clear at that point to enable further resource decisions to be made. Following the latest announcements, it is now proposing that contracts should be extended to March 2021. It would be a false economy to release staff in September 2020, only to need the resource again from April 2021, with the added costs relating to recruitment and training.
17. The service is therefore seeking further funding (£474k) from the FSA to support extending these contracts to March 2021, as the approved budget does not include provision for the extension of these contracts until such a time. Although initial indications from the FSA are positive, if the service does not receive additional support it may need to draw on reserves and/or contingency funds.

Extending contracts from March to September 2020 will cost approximately £215k and £430k to March 2021. It should be noted that the FSA bid includes funding for staffing and a variety of other supporting activities.

18. In addition, the Port Health Service has submitted a joint bid with Suffolk Coastal Port Health Authority for £374k to develop better ways of working that achieve more resilient, risk based and coherent port health services, initially across the two Port Health Authorities and then to the wider UK port health sector, whilst maintaining current service levels and resilience. This includes processes, templates, audit frameworks and training.

### Animal Health

19. The key concerns for live animals, which have been raised previously at this Committee include:
  - a. The Pet Travel Scheme
  - b. Companies displaced from the UK to the EU
  - c. The Convention of the International Trade in Endangered Species (CITES)
  - d. Transit animals
  - e. Increased Customs clearance times
20. EU consignments currently make up approximately 18% of the trade through the Heathrow Animal Reception Centre (HARC) and it is clear from the latest announcements that there will be requirements for these animals from January 2021. HARC are also engaging with Government Departments, the airport, airlines and agents to better understand the impacts of the latest announcement. For example, EU trade could increase if live animals are imported via the airport rather than the seaports if there are delays due to checks at the border. The converse could also be true.
21. As it is still unclear as to whether there will be an increase or decrease in resources required at HARC, a number of fixed-term contract employees have been recruited and their contracts could be terminated or extended as required. These have been funded from additional income and it is expected that this would continue to be the case if contract extensions are required.

### **Corporate & Strategic Implications**

22. The Committee has previously agreed six key principles that form the basis of the approach officers have been taking when representing the City Corporation in discussions with Government and its agencies (Appendix 1). The Port Health Service will continue to promote these and in particular principles 1, 2, 4 and 6.

23. The actions taken to date and the above proposals are in accordance with previous decisions taken by your Committee, the PH&PP Business Plan, the Departmental/Corporate Risk Registers.
24. The Government's Brexit / future trade related legislation is being monitored by the Remembrancer who will continue to facilitate appropriate representations being made and support PH&PP where possible.

### **Implications**

25. If sufficient funding is not received for the current financial year from Government departments to prepare for the end of the EU Transition period, there could be up to a £430k pressure on the Port Health Service's budget, which we would seek to mitigate as far as possible through use of reserves and/or contingency funds.
26. Not being ready for the new border arrangements would have significant reputational impacts.

### **Conclusion**

27. Officers continue to represent the interests of your Committee and the City Corporation in relation to the implications of any future trade position with the EU.

### **Appendices**

- Appendix 1: City Corporation - Six Key Brexit Principles

### **Background Papers**

- Impact of the UK leaving the EU (Brexit) on Port Health & Public Protection – report to Port Health & Environmental Services Committee, 19 September 2017.
- Update on the impact of the UK leaving the EU (Brexit) on Port Health & Public Protection – report to Port Health & Environmental Services Committee
  - 6 March 2018
  - 16 July 2018
  - 27 November 2018
  - 24 September 2019
  - 26 November 2019
  - 3 March 2020

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## Appendix 1: City Corporation - Six Key Brexit Principles

The City Corporation has agreed and is promoting the following principles in relation to biosecurity and Brexit:

- The same, or an improved, level of consumer protection should be sought for public, animal and environmental health in terms of any proposed changes to regulatory controls after the UK leaves the EU.
- Any changes to the current legislation should be commensurate with the risk posed by different activities and trades, as it is recognised that some enforcement requirements could be streamlined.
- The UK should continue to recognise EU controls in order to avoid resourcing implications at the UK border; and this would **best** be done as part of a reciprocal agreement with mutual recognition, as this would be more sustainable politically, promote regulatory alignment, and facilitate UK-EU trade.
- Full cost recovery for local authorities and port health authorities to enforce relevant legislation is essential, and this should be extended to include those areas not already covered, particularly if they have to undertake additional controls as a result of Brexit.
- The current checks at UK and EU borders on third country imports should be maintained to facilitate free movement of goods within the EU, and between the EU and the UK, and the UK should maintain access to existing IT and rapid alert arrangements.
- To control public health and animal health risks effectively, and to prevent the potential spread of zoonosis, monitoring, checks and controls on high risk food, feed and animals should be undertaken at first point of entry into the UK, i.e. at its borders.