

Name of meeting: Corporate Scrutiny Panel

Date: 10 January 2020

Title of report: Brexit Preparations Update

Purpose of report

This paper provides an update for the Scrutiny Panel on ongoing Kirklees’ preparations, as the UK gets ready to leave the EU following the December 2019 General Election with a particular focus on potential economic impacts.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	N/A
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	N/A
The Decision - Is it eligible for call in by Scrutiny?	N/A
Date signed off by <u>Director</u> & name	Rachel Spencer-Henshall – 20.12.19
Is it also signed off by the Assistant Director for Financial Management, IT, Risk and Performance?	N/A
Is it also signed off by the Assistant Director (Legal Governance and Monitoring)?	N/A
Cabinet member portfolio	Councillor Graham Turner

Electoral wards affected: All

Ward councillors consulted: N/A

Public or private: Public

1. Summary

- 1.1 The Prime Minister has stated that the UK will leave the EU on 31 January 2020, on the terms he had previously negotiated with the EU. The result of the General Election has given the Conservatives a majority to ensure the Withdrawal Agreement Bill will pass into law on Friday 20 December.
- 1.2 The government has announced that the Bill will have a clause added to rule out any extension to the envisaged transition period, during which time the UK and EU must formalise the necessary free trade agreement, extending beyond December 2020.
- 1.3 Kirklees Council’s preparations for exiting the EU have continued to be mindful of national developments and now incorporate the outcome of the General Election. A particular focus in the Council’s preparedness has been around the potential economic impact of Brexit on the

Kirklees economy. This report highlights some of the key issues in relation to this with an initial insight into the number of businesses within sectors of the local economy that could be impacted by Brexit. There will be a presentation at the Scrutiny Panel meeting outlining the findings of the economic analysis undertaken.

2. Information required to take a decision

2.1 National context

Prior to the General Election on 12 December, the government's EU Withdrawal Bill passed its second reading on Tuesday 22 October. At that point, it failed to proceed as the timetable for taking it forward was rejected by Parliament, leading to a three-month Brexit extension, however, the outcome of the General Election is that the UK will now leave the EU as planned on 31 January 2020, as set out in the Withdrawal Agreement Bill, due before Parliament on Friday 20 December.

The key features of the Withdrawal Agreement Bill (WAB) are:

a. Customs

The whole of the UK will leave the EU customs union, allowing it to make trade deals with other countries in the future. For Northern Ireland (NI), however, while it will remain in the UK, it is likely that customs checks will have to be made on goods entering its ports from the rest of the UK, and tariffs imposed if the goods are deemed to be 'at risk' of entering the EU by crossing the border between NI and the Republic.

b. Regulations on goods

When it comes to the regulation of goods, NI will have to follow EU regulations to remove the need for checks on goods, including food and agricultural produce at the border as both will be part of an "all-island regulatory zone". This will add to the checks made between goods passing from the rest of the UK to NI, as the UK will not necessarily be sticking to EU single market rules, whereas NI remains bound by them.

The Bill provides that these arrangements are subject to four-yearly approval by the Stormont Assembly, as a means of providing for democratic control.

c. Transition period

The transition period negotiated with the EU will end on December 2020, and a clause in the WAB prevents this from being extended. Therefore, the EU and UK will need to conclude a Free Trade Agreement (FTA) within this timeframe to obviate the risk of a no deal Brexit.

d. Citizens' rights

UK citizens in the EU, and EU citizens in the UK, will retain their residency and social security rights after Brexit and freedom of movement rules will continue to apply during the transition period. This means that UK nationals will be able to live and work in EU countries (and EU nationals will be able to live and work in UK – dependant on the requirements of the European Union Settlement Scheme (EUSS), which has a deadline of June 2021). Anyone who remains in the same EU country for five years will be allowed to apply for permanent residence.

e. **Future UK/EU relationship**

This is covered by the political declaration, which stipulates that both sides will work towards a Free Trade Agreement (FTA) and a high-level meeting will take place in June 2020 to review progress.

The text also contains a new paragraph on the so-called "level playing field" - the degree to which the UK will agree to stick closely to EU regulations in the future. The references to a "level playing field" were removed from the legally-binding withdrawal agreement and put in the political declaration, which is not binding. It says that both sides will keep the same high standards on state aid, competition, social and employment standards, the environment, climate change, and "relevant tax matters".

2.2 The Regional Position

Our link into the Ministry of Housing, Communities and Local Government (MHCLG) from a regional basis remains the chief executive of Leeds City Council, Tom Riordan. During the pre-General Election period we were reporting regionally on an exception basis only. Now that the position is clearer since the election result it is expected that our engagement with WYCA (West Yorkshire Combined Authority) will increase significantly from this point onwards.

2.3 The Kirklees position

The Council's Brexit Tactical Group, drawing officers from across the Council and partners continues to meet to fulfil its role of ensuring an appropriate level of preparedness for the withdrawal, encompassing likely scenarios following the UK's exit from the EU with a particular focus on supporting vulnerable people.

Business Continuity Champions across the Council are being asked to identify responses to the potential business disruptions that could arise as a result of Brexit; these being:

- People Issues
- Premises Issues
- Process Issues
- Provider Issues (including fuel, suppliers, contractors and commissioned services)
- Equipment Issues

This will be the third time such an exercise has been undertaken to ensure that all services are as prepared as possible for the leave date.

We have updated the Kirklees Tactical Plan, to provide the following:

- a framework for Kirklees Council to plan for and respond to the impacts of the UK's EU exit
- a complement to the Kirklees Council Major Incident Plan, the Corporate Business Continuity Framework and team level Business Continuity Plans

Additionally, the Council's Corporate Risk Log gives Brexit due prominence as a heightened risk and provides management actions already in place to mitigate the risk.

Emergency Preparedness

Following the last Brexit extension we have been in a period of exception reporting which looks like it will continue in to the New Year. MHCLG are currently assessing what if any

changes may be required but it is likely that things will remain the same. We continue to engage with West Yorkshire Resilience Forum (WYRF) on Brexit related topics.

2.3 Current areas of priority

2.3.1 European Union Settlement Scheme (EUSS)

For settled status, applicants need to prove 5 years' residence in the UK, with pre-settled status given to those who cannot satisfy this requirement. The application process has been found to present difficulties for some people and the need for support has been identified by business and local authorities. The offer of support to Kirklees resident EU citizens is currently under review. The option of enhancing support via customer service centres in Huddersfield and Dewsbury is being actively explored, along with increased outreach to vulnerable groups, such as the elderly and those unable to access the online application procedure without active support.

Latest figures from Migration Yorkshire (see below) illustrate the estimated comparative situation for the five West Yorkshire authorities in respect of EU citizens who will need to complete settled status applications ahead of the 31 June 2021 deadline.

EUSS applications in West Yorkshire			
Local Authority	Estimated EU population, June 2019	EUSS applications as at 30 Sept 2019	Estimated take-up rate
Bradford	26,000	11,190	43%
Calderdale	7,000	1,680	24%
Kirklees	13,000	4,270	33%
Leeds	32,000	19,240	60%
Wakefield	12,000	6,610	55%

Source: [Migration Yorkshire](#), data as at 30.9.19.

2.3.2 Impacts of Brexit on the Kirklees Economy

This section summarises where possible impacts of Brexit on the Kirklees economy can be anticipated. The insights reported are based on the collation of regional intelligence and internal analysis of sources on imports and exports and the district's employer base. The anticipated areas of impact are analysed to identify sectors that require particular focus and to support action planning. Further engagement has been undertaken to supplement this with local understanding of the issues involved and existing work to mitigate against adverse impacts of Brexit.

It should firstly be understood that given the nature of the Brexit negotiation process and ongoing political influences on how this may play out it is not possible to have certainty of which of the impacts discussed will be realised. Furthermore, as the actual extent of any regulatory changes or the levels of any agreed tariffs is yet to be determined there is no way to judge the true impact on any given sector.

While the insights are included within the appendix report, a few points to highlight are:

- Kirklees accounted for 14% (£1.3bn) of exports from the Leeds City Region (LCR) in 2015 compared to its 11% share of the LCR total GVA (Gross Value Added) (£7.2bn of £64.7bn total). Half (49%) of exports from Kirklees and Calderdale went to EU destinations in 2017.

- Key export categories across Yorkshire and the Humber are:
 - Chemicals & related products (£2.1bn);
 - Manufactured goods classified chiefly by material (£2.5bn);
 - Machinery & transport equipment (£2.4bn).
- While Food and live animals is less significant in value (£754m) it is notable for its high reliance (76%) on the EU.
- In 2015 Kirklees accounted for 8% of imports in LCR (£1.1bn) below its 11% share of LCR GVA.
- Key import categories across Yorkshire and the Humber are:
 - Chemicals and related products (£4.6bn, 85% EU),
 - Machinery & transport equipment (£3.8bn, 64%),
 - Manufactured goods classified chiefly by material (£2.8bn, 62% EU); and,
 - Food & live animals (£2.2bn, 76% EU).
- EU migrant workers in LCR are focused in low skilled employment including: 4% of care workers, 9% of those in catering and hospitality, 22% of process operatives and elementary storage occupations and 47% of those in elementary process plant occupations (packers, bottlers, etc.).
- Of the Top 100 employers in Kirklees over a third of firms fall within manufacturing, and wholesale and retail trade. This group also includes a significant number of organisations within or commissioned by the public sector;
- 79 companies are subsidiaries of EU based parent companies. Five groups account for over 3,000 employees and £475m turnover;
- 19 businesses within Kirklees have EU-based subsidiaries, all of which are subsidiaries of larger parent companies of which four are also EU-based. This latter group presents a particular risk of suffering restructuring for logistical or tax reasons which could place jobs at risk.

Insights from further engagement

Views of Local Business Representatives

The Business and Skills and Policy and Partnerships teams have engaged with leaders of the local Chamber of Commerce and local branch of the Federation of Small Businesses. It was identified that many small businesses are guided by their personal views on Brexit. Those that consider Brexit to be positive for the nation have largely not conducted any analysis of its impacts on their businesses or made any preparations. Larger companies are generally more prepared with the greatest impacts being expected to result from changes to export documentation requirements. For companies that already export outside of the EU this will create a capacity pressure whereas for those that only export to the EU this may represent an area in which they have no existing understanding or skills.

Existing Environmental Health team work

The Environmental Health team is already raising the issue of Brexit with firms it visits. The team have passed on any relevant business information they have received and are communicating information on food labelling restrictions. It has been identified that one large local business in the meat industry exports to Europe. The company are aware of the paperwork requirement changes and the associated cost of issuing the appropriate labels that will be payable to the council.

SME Growth Team

The SME (Small and Medium Enterprises) Growth Team have been asking businesses about Brexit related issues for around 18 months. This data is recorded within a standard template and collated into weekly returns to WYCA. There has been no significant change in the number or nature of the issues raised during the lifetime of the regional collation process. The two principal recurring themes are increasing stock levels - and in some cases taking on additional space for this purpose; and, many businesses reporting an inability to make preparations when it is not possible to understand what will actually happen and when. Weekly calls have been held since September 2019 with local SME Growth Team representatives from across the region and a monthly Business Support Managers Meeting has been taking place since September.

Consideration of Key Public Sector Delivery Areas

Health and Social Care

The Health and Social Care sector relies significantly on EU migrant labour presenting an additional challenge to areas that already have high levels of vacancies.

The council has been raising the issue of Brexit with independent sector providers to support their employees and continue to do this regularly through forums, newsletters and attendance at meetings.

Specifically in relation to workforce, the council is linked in with the association of directors of adult social services (ADASS) and shares data to inform regional and national intelligence gathering. The most recent ADASS report for Yorkshire and the Humber states that:

According to the Government's "EU Settlement Scheme: statement of intent" the rights of EU citizens living in the UK will not change until after 31st December 2020. The NMDS-SC shows that 38% of workers with an EU nationality also already have British Citizenship and 45% will be eligible to apply for 'settled status'. The remaining 17% of EU workers will be eligible for 'pre-settled status'.

Last time local providers were surveyed it was estimated that 5-10% of the social care workforce are EU citizens. As significant concern post-Brexit is that earnings of most social care workers fall far below any potential minimum income threshold of £30k.

Schools

Schools do not raise any concern within the areas considered within this analysis as they are not believed to be highly reliant on EU migrant labour. Given the nature of roles in this sector it is anticipated that should this materialise as an issue that the affected individuals would be entitled to apply for settled status. The Children and Families team is prepared for this and will be kept updated on any changes to guidance and resources through existing communication processes.

3. Implications for the Council

3.1 Working with People

We have established channels through which we conduct a weekly temperature check of community issues and potential tensions. This route will be used to check whether there are any Brexit related issues arising in our communities.

3.2 Working with Partners

There are some key partner arenas into which our preparations connect, in order to ensure a joined-up response in both Kirklees and the wider region.

3.3 Place Based Working

Our support and communication to ward members is vital to support their critical role as place leaders, able to provide appropriate assurance messages within our diverse communities.

3.4 Improving outcomes for children

As corporate parent we are working to ensure the residency status of EU national looked after children. We actively track care leavers after the age of 18 up to the age of 25. We will be ensuring they are supported in terms of the EU settlement scheme and appropriate documentation.

3.5 Other (e.g. Legal/Financial or Human Resources)

Kirklees received £315,000 from Government, split across 2018/19 and 2019/20 which has been put into reserves, to be accessed when a need arises that cannot be met from within existing service resources.

4. **Consultees and their opinions**

4.1 We have actively engaged with local businesses, partners and colleagues in the region to ensure we understand the potential impact on all sectors.

5. **Next steps and timelines**

5.1 Weekly updates to Executive Team and we will continue to work on a multi-agency basis as part of the WYRF.

6. **Officer recommendations and reasons**

For the panel to note and comment on the preparedness of the Council in planning for Brexit.

7. **Cabinet portfolio holder's recommendations**

7.1 Welcomed the report and is happy with the content and ongoing preparations.

8. **Contact officer**

David Bundy - Corporate Policy Officer, Strategy and Policy

9. **Background Papers and History of Decisions**

Preparations for leaving the European Union (EU), Corporate Scrutiny Panel, 20 September 2019

Leaving the EU Preparedness Update, Corporate Scrutiny Panel, 12 July 2019

Leaving the EU Preparedness Update, Economy and Neighbourhoods Scrutiny Panel, 17 July 2019

Discussion at Full Council on the implications of Brexit, 12 December 2018.

10. Service Director responsible

Naz Parkar - Service Director for Housing Economy & Infrastructure