

**Name of meeting:** Corporate Scrutiny Panel

**Date:** 10 September 2020

**Title of report:** Leaving the EU Preparations Update

**Purpose of report**

Following on from the previous Corporate Scrutiny Panel meeting on 28 February, this paper provides an update for the Scrutiny Panel on ongoing Kirklees’ preparations on specific issues relating to economic impact and the provision of EUSS application support to vulnerable groups.

<b>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?</b>	N/A
<b>Key Decision – Is it in the <a href="#">Council's Forward Plan (key decisions and private reports?)</a></b>	N/A
<b>The Decision – Is it eligible for call in by Scrutiny?</b>	N/A
<b>Date signed off by <u>Director</u> &amp; name</b>	Karl Battersby – 01.09.2020
<b>Is it also signed off by the Assistant Director for Financial Management, IT, Risk and Performance?</b>	N/A
<b>Is it also signed off by the Assistant Director (Legal Governance and Monitoring)?</b>	N/A
<b>Cabinet member <a href="#">portfolio</a></b>	<b>Councillor Graham Turner</b>

**Electoral wards affected:** All

**Ward councillors consulted:** N/A

**Public or private:** Public

**Has GDPR been considered?** The report does not include personal data that could identify a living individual.

**1. Summary**

1.1 The UK left the EU on 31 January 2020. We are now in a transition period until the end of 2020 while the UK and EU negotiate their future relationship. This paper seeks to address the outstanding issues highlighted at the last Corporate Scrutiny Panel meeting on 28 February.

**2. Information required to take a decision**

**2.1 National context**

The seventh round of EU-UK future relationship negotiations took place from 18 to 21 August but the parties could not reach agreement on the rights and standards necessary to conclude a free trade agreement (FTA). The inability to reach agreement means that it is now unlikely that FTA negotiations can be concluded at the European Council meeting on 15-16 October.

With this situation in view, and the impact of coronavirus on the ability of business to prepare for leaving the EU, the government has announced it is preparing to place controls on the movement of goods between Great Britain, excluding Northern Ireland, and EU. These will be introduced in three stages between 31 December 2020 and 1 July 2021.

## 2.2 Regional context

We retain our regional links into MHCLG by reporting by exception to the office of Tom Riordan, Leeds City Council Chief Executive. Specific events are being organised at an LCR level, the most recent being the LEP Growth Service, which offers businesses information, support and advice on preparing for 31 December this year. In addition, The LEP also forms part of the Leeds City Region Enterprise Partnership Interreg Europe SMARTY project (<https://www.the-lep.com/all-news-and-blogs/smarty-smart-smes-for-industry-40/>), in which the LEP participates in a range of programmes with European partners. The first Interregional Policy Brokerage event offered the opportunity for the LEP to share and learn about best practices with European partners on initiatives to help SMEs to adopt Industry 4.0 solutions to increase competitiveness while sharing the successes of the LEP's Access Innovation programme, which was selected by partners on the project as an example of European best practice.

## 2.3 Kirklees context

The Council's Tactical Group, comprising Council officers and partners, still meets on a regular basis to oversee and maintain the Tactical Plan as well as feeding into the Council's Corporate Risk Log. At the last Corporate Scrutiny Panel meeting there was a specific ask to address the following areas:

- (a) That an update be provided to members of the Panel, further to the meeting, in respect of the progress of the applications for settled status by the five looked after children who are also EU citizens.

Officers in Childrens and Young People's Service report that social workers have been working very closely with solicitors from the Law Centre and with the EU Project Officer from the Strategy and Policy Team in relation to progressing all five cases.

They are currently awaiting the outcome of four applications; the previous timescale was eight weeks; however, this could be longer due to the COVID-19 situation.

Further legal documents have been requested for one of the young people which our legal services are updating and following this the application for settlement will be resubmitted, with an expected eight week turn round timescale.

- (b) That a report be presented to a future meeting of the Panel to provide:

### **An update on the analysis of the Kirklees level export destinations with the current position on free trade agreements**

Further analysis of HMRC's Regional Trade Statistics (RTS) data to understand the implications of the current position on free trade agreements on Kirklees trade. This data has been supplemented with the status of trade negotiations with different nations and blocs from the Department for International Trade<sup>1</sup>.

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<sup>1</sup> Existing UK trade agreements with non-EU countries ([www.gov.uk/guidance/uk-trade-agreements-with-non-eu-countries](http://www.gov.uk/guidance/uk-trade-agreements-with-non-eu-countries)) originally accessed 08/06/2020. No agreement status changes to 25/08/2020.

It must be noted that the RTS data is only published to regional level meaning numbers relate to Yorkshire and the Humber rather than smaller geographies. Any inferences that can be taken from this data thus apply to the region and not to Kirklees or West Yorkshire and attempts to do so are liable to lead to spurious policy decisions. It should also be noted that RTS data lists countries separately that represent larger importers / exporters but aggregates less important trading partners within each continental region other than within the EU.

The overriding point to emphasise is that Y&H trades predominantly with the EU and the now likely scenario of ending transition without a UK/EU FTA represents a significant risk to the region's trade. In 2019, £221bn of UK imports originated from outside the EU representing 46% of total imports. For Yorkshire and the Humber this figure was £15.5bn or 48% of the total. In the same year £179bn of UK exports went to non-EU destinations representing 52% of all exports. Yorkshire and the Humber exported £7.2bn of products to outside the EU equating to 42% of all exports.

Of Y&H imports from non-EU countries: 31.5% are expected to be subject to an FTA (3.4% negotiations ongoing), 14.4% are expected to be subject to an MRA (1% ongoing) and 49.1% will continue to be subject to WTA rules. 1.1% of these imports come from countries aggregated within the RTS data.

Of Y&H exports to non-EU countries: 25.1% are expected to be subject to an FTA (10.7% negotiations ongoing), 30.3% are expected to be subject to an MRA (2.3% ongoing) and 42.1% will continue to be subject to WTO rules. 2.5% of these exports go to countries aggregated within the RTS data (see Appendix for current trade agreement status data).

### **An assessment of local business confidence;**

A survey of local businesses has been conducted as part of the Council's response to the pandemic. In total 761 businesses responded of which there 68 were in the manufacturing sector.

The survey shows that businesses are under significant financial pressure as a result of the pandemic with approximately 62% concerned/extremely concerned about financial resources over the next 6 months (June – November 2020) while 16% were somewhat unconcerned or not at all concerned. Concern was lower (56%) for businesses in the manufacturing sector.

In relation to about the impact of a Global or UK recession 73% of respondents were concerned/extremely concerned while 12% were somewhat or completely unconcerned. A lower proportion of respondents expressed concern about the impact of future tax and trade issues (48% concerned/extremely concerned) and 27% somewhat or completely unconcerned. Manufacturing sector respondents demonstrated higher levels of concern on both issues (81% recession/56% tax and trade).

Supply chain disruption over the next six months was an area of lower concern with only 37% of businesses concerned/extremely concerned and 39% somewhat/completely unconcerned. About 3% of businesses requested support with Supply Chain Management going forwards. As we would expect, a higher percentage of businesses in the manufacturing sector are concerned about the impact of the supply chain (52%). 45% of businesses (38% for manufacturing sector) were concerned about the lack of information for decision making over the next 6 months. 30% of businesses were somewhat/completely unconcerned about this issue.

While one question asked what future support would be helpful this combined 'New markets/exports' as one option precluding filtering those who may export. However, breaking these down into just those whose consumer market is international, the main sectors affected are Manufacturing, Construction and Wholesale/retail trade (including repair of motor vehicles).

The single issue for which a majority of respondents expressed a lack of concern was retaining staff with 56% somewhat/completely unconcerned and 27% concerned/extremely concerned. Responses from the manufacturing sector were yet more positive with only 20% concerned about staff retention.

Brexit was only mentioned twice in general comments around future uncertainty. There are no references to Brexit in the Manufacturing-only responses.

In line with results from previous surveys, only 27% of businesses had Business Continuity Plans in place (37% in manufacturing sector).

**An evaluation of the implications for social care:**

The most significant risk for adult social care is the impact on the social care workforce. The latest Skills for Care data for Kirklees shows 2% of the adult social care workforce are EU citizens (2018/19) across the workforce as a whole (9,600) however a survey of commissioned care providers from ADASS shows the impact on some care providers showed this was around 5–10% in some cases. Recruitment and retention are significant issues across the sector as a whole. Due to COVID-19, however, people are applying for care posts having been furloughed or made redundant from retail and service sectors, as shown by the following data from In2Care Kirklees, which compares the period March – July 2020 with the corresponding period in 2019. The figures refer only to those providers that recruit or advertise via In2Care but are indicative of the sector as a whole.

Number of individuals requesting In2Care support

This table shows the number of people that approached In2Care for support to find jobs within the care sector. The In2Care offer provides individual support to find suitable vacancies that match individual requirements based on each person's needs – for example working patterns, geographic location, hours, skills and qualifications etc.

March – July 2019	% Male	March – July 2020	% Male
286	12%	652	19%

Number of appointments made

The following table highlights the number of appointments that came via In2Care referrals and advertisements. Please note it is likely that both sets of figures will be higher than those shown as some appointments made are not always reported.

March – July 2019	% Male	March – July 2020	% Male
89	10%	219	12%

## Number of employer adverts and applicants

In addition to individual support, In2Care also advertises employer specific vacancies across multiple social media community pages. The following table shows the number of individual adverts that were posted along with the number of applicants.

	<b>Number of Adverts Posted</b>	<b>Total Number of Applicants</b>
<b>March – July 2019</b>	164	849
<b>March – July 2020</b>	202	1930

Information on the European Union Settlement Scheme (EUSS) has been shared with care providers and the support that can be offered from KCALC. The Council continues to highlight this regularly with care providers.

The Council also holds regular provider forums and send out a weekly newsletter to domiciliary care and care home providers. The links with other care providers not commissioned by the authority are now much improved due to COVID-19 and there is now a mailing list of all the care providers within Kirklees.

We have also made good links with the Registered Managers' network and have attended and provided information to them in planning for the situation post 31 December.

There have been concerns about supporting providers in their contingency planning and a series of regional events took place for providers in February 2020 focusing on EU Exit and Contingency planning. As a result of the COVID-19 pandemic providers have been testing their contingency plans and the impact on supply disruption and notification of changing suppliers has been tested in particular around PPE but also in some care homes around food supply. Testing has illustrated a high degree of resilience in care sector supply chains in respect of both PPE (of which Kirklees is now the regional distribution hub). However, the supply of medication to care homes has not been tested as this is an NHS/Public Health England responsibility. The Council continues to work closely with care providers to ensure their plans are robust and do not impact on service delivery.

### **An update on the wider economic and social impacts of transition including those issues that extend beyond the Council's remit:**

It now looks unlikely that a UK/EU FTA will be completed before the end of transition resulting in both increased trade barriers and application of tariffs on UK exports to EU countries. While this was already considered detrimental to UK trade outcomes and anticipated to impact on GDP this would now exacerbate a severely negative economic outlook with the UK in recession having posted a GDP decline of 22.4% in Q2 of 2020 the worst on record and one of the worst performing economies in the OECD.

While reopening of the economy as we emerge from public health restrictions will almost certainly result in a rapid return to growth – albeit from a much depressed level of output – recent forecasts suggest failed EU-UK trade negotiations would result in the UK returning to recession in 2021<sup>2</sup>. The Council's Cabinet approved the draft COVID-19

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<sup>2</sup> IHS Markit: Brexit and the UK economic impact (<https://ihsmarkit.com/research-analysis/brexit-and-the-uk-economic-impact.html>)

Economic Recovery Plan on 13 July 2020 which seeks to reduce the local economic impacts and support businesses and residents. Monitoring of the economic context will be attentive to the interplay of related impacts of leaving the European Union. The government has recognised the need for people to gain pre-settled or settled status under the EUSS, which in Kirklees equates to an estimated 13,000 people. The Council, working with organisations such as KCALC, has been promoting the need for people to apply for settled status and where applicable is assisting them to do so. Naturally, this work has been impacted by COVID-19 in terms of our outreach capability, and we are now re-engaging with the communities and individuals affected by way of an active online offer and awareness raising campaign.

**Migration Yorkshire, EUSS applications – Kirklees: 28 August 2018 to 30 June 2020 (August 2020 update)**

Total applicants: 9,390

Applications by age

Total applicants 9,390	Under 18 1,920	18 to 64 7,260	65+ 210
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Applications by outcome

Total applicants 9,390	Settled status 5,040	Pre-settled status 3,300	Other outcomes 150
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These figures do illustrate progress towards our target. However, the data does not cover the last three months when COVID-19 “lockdown” measures have been eased enabling council services to target communities more directly. The impact of this activity should be apparent in the next update.

**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 transition period 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 Climate Change and Air Quality**

At the present time, there is no change in relation to climate change or air quality, due to the fact that the negotiations between the UK and EU on the FTA are ongoing, and export/impact traffic has not changed yet.

### 3.5 Improving outcomes for children

As stated above (see 2.3 (a)) the Council is actively supporting EU national looked after children and care leavers in their applications for settled status.

### 3.6 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 Reports to the Council's Executive Team are now on an exception basis, as is the reporting to the West Yorkshire Resilience Forum.

## 6. Officer recommendations and reasons

For the panel to note and comment on the continued preparedness of the Council after leaving the EU.

## 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 – Strategy and Policy Team Manager, Strategy and Policy

## 9. Background Papers and History of Decisions

Brexit Preparations Update, Corporate Scrutiny Panel, 28 February 2020

Brexit Preparations Update, Corporate Scrutiny Panel, 10 January 2020

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 and Infrastructure

## Appendix

### Imports and Exports from countries with and without UK trade agreements in place

#### Background

Analysis was requested by Corporate Scrutiny of the imports from and exports to different countries outside of the EU which have trade agreements with the EU, the transfer of which to the UK is being negotiated with the countries or blocs concerned.

Two types of agreement are of interest. The first are free trade agreements (FTA) and the second mutual recognition agreements (MRA). The latter refers to recognition of one country's assessment of conformity with the legal product standards of another.

#### Status of Agreement Negotiations

As of 08 June, 20 FTAs have been signed covering a total of 50 countries though Suriname has only approved the CARIFORUM trade deal in principal. A further 16 FTAs are in negotiation each covering a single country except for the East African Community which is composed of six countries.

MRAs have been signed with Australia, New Zealand and the United States and one is in negotiation with Japan.

#### Headline Import/Export Analysis

HMRC's Regional Trade Statistics are published at regional level listing countries separately that represent larger importers / exporters but aggregating less important trading partners within each continental region other than within the EU.

In 2019, £221bn of UK imports originated from outside the EU representing 46% of total imports. For Yorkshire and the Humber this figure was £15.5bn or 48% of the total. In the same year £179bn of UK exports went to non-EU destinations representing 52% of all exports. Yorkshire and the Humber exported £7.2bn of products to outside the EU equating to 42% of all exports.

Value (£m)	United Kingdom		Yorks & Humber	
	Imports	Exports	Imports	Exports
EU	262,381	167,152	16,582	9,813
NON EU	220,872	179,345	15,489	7,221
<b>Total</b>	<b>483,254</b>	<b>346,497</b>	<b>32,070</b>	<b>17,034</b>

%	United Kingdom		Yorks & Humber	
	Imports	Exports	Imports	Exports
EU	54.3%	48.2%	51.7%	57.6%
NON EU	45.7%	51.8%	48.3%	42.4%

#### Import/Export Vs Agreement and Status

Of UK imports from non-EU countries:

- 1.6% of these imports come from countries aggregated within RTS data preventing us from understanding whether these imports are subject to a deal or its status;
- 21.4% are expected to be subject to an FTA. Signed deals account for 15.7%, and FTAs in ongoing negotiation a further 5.7%;
- 24.3% are expected to be subject to an MRA. Signed deals account for 20.2%, and the MRA in ongoing negotiation with Japan a further 4.1%;
- 52.7% are not subject to any negotiations and thus are subject to WTO rules.

Of Yorkshire and the Humber imports from non-EU countries:



- 1.1% of these imports come from countries aggregated within RTS data preventing us from understanding whether these imports are subject to a deal or its status;
- 31.5% are expected to be subject to an FTA. Signed deals account for 32.0%, and FTAs in ongoing negotiation a further 3.4%;
- 14.4% are expected to be subject to an MRA. Signed deals account for 13.4%, and the MRA in ongoing negotiation with Japan a further 1.0%;
- 49.1% are not subject to any negotiations and thus are subject to WTO rules.

## Breakdown of imports and exports for UK and Yorkshire and the Humber by deal type and status

Value (£m)	United Kingdom		Yorks & Humber	
	Imports	Exports	Imports	Exports
<b>FTA</b>	47,267	36,206	5,492	1,810
Signed	34,590	21,563	4,962	1,038
Ongoing	12,677	14,643	530	771
<b>MRA</b>	53,692	67,279	2,231	2,184
Signed	44,708	60,754	2,082	2,019
Ongoing	8,984	6,525	149	166
<b>Other</b>	119,913	75,861	7,765	3,227
Aggregated	3,481	3,437	163	183
No negotiations	116,431	72,423	7,602	3,044
<b>Total</b>	<b>220,872</b>	<b>179,345</b>	<b>15,489</b>	<b>7,221</b>

Value (£m)	United Kingdom		Yorks & Humber	
	Imports	Exports	Imports	Exports
<b>FTA</b>	21.4%	20.2%	35.5%	25.1%
Signed	15.7%	12.0%	32.0%	14.4%
Ongoing	5.7%	8.2%	3.4%	10.7%
<b>MRA</b>	24.3%	37.5%	14.4%	30.3%
Signed	20.2%	33.9%	13.4%	28.0%
Ongoing	4.1%	3.6%	1.0%	2.3%
<b>Other</b>	54.3%	42.3%	50.1%	44.7%
Aggregated	1.6%	1.9%	1.1%	2.5%
No negotiations	52.7%	40.4%	49.1%	42.1%

Of UK exports to non-EU countries:

- 1.9% of these exports go to countries aggregated within RTS data preventing us from understanding whether these are subject to a deal or its status;
- 20.2% are expected to be subject to an FTA. Signed deals account for 12.0%, and FTAs in ongoing negotiation a further 8.2%;
- 37.5% are expected to be subject to an MRA. Signed deals account for 33.9%, and the MRA in ongoing negotiation with Japan a further 3.6%;
- 40.4% are not subject to any negotiations and thus are subject to WTO rules.

Of Yorkshire and the Humber exports to non-EU countries:

- 2.5% of these imports come from countries aggregated within RTS data preventing us from understanding whether these imports are subject to a deal or its status;
- 25.1% are expected to be subject to an FTA. Signed deals account for 14.4%, and FTAs in ongoing negotiation a further 10.7%;
- 30.3% are expected to be subject to an MRA. Signed deals account for 28.8%, and the MRA in ongoing negotiation with Japan a further 2.3%;
- 42.1% are not subject to any negotiations and thus are subject to WTO rules.

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