

UK- EU POST TRANSITION

1.0 INTRODUCTION

- 1.1 Further to the UK exiting the EU and entering the new agreement from 1st January 2021, this report sets out the considerations of the EU Withdrawal Tactical Group with regard to identifying and assessing any risks relative to Argyll and Bute.

2.0 RECOMMENDATIONS

- 2.1 Members are asked to be assured that the Council and the HSCP are as well prepared as they can be with regards to having exited the EU and are actively engaged with our partners through the local and national resilience frameworks

3.0 DETAIL

- 3.1 On the 31st December 2020, with the Transition Period concluding, EU Law jurisdiction in the UK, and access to the EU Single Market ended. The UK-EU Trade Cooperation Agreement (TCA) agreed on 24th December 2020 and ratified by the UK Parliament on 30th December (European Union (Future Relationship) Act 2020) covered the most urgent matters.
- 3.2 The TCA is wider in scope than most free trade agreements and makes provisions for workers, mobility, environmental and social standards, some easing on cross border services, participation in some EU programme and fisheries.
- 3.3 The TCA does have an impact on Argyll and Bute and the EU Withdrawal Tactical Group revised its risk assessment which covers the following themes:
- A. Economy and Population
 - B. Trade
 - C. Community
 - D. Policy and Funding
 - E. Health and Social Care

Economy and Population

- 3.4 The downward trend projection for the population of Argyll and Bute is well established and it remains a risk. Exiting the EU common market will exacerbate this trend, particularly with the loss of free movement of economically active EU residents to our area. This will have a direct impact on key sectors in Argyll and Bute including tourism, food production (fishing and aquaculture) and the care sector with the latter a growing issue for our communities. EU residents currently resident in the UK have until 30th June 2021 to apply for Settled Status in the UK and it is unknown how many this may be.
- 3.5 In partnership with other local authorities, Argyll and Bute Council successfully lobbied the Scottish Government to lead on a national initiative to tackle population decline which is an issue for many rural authorities including all those on the West of Scotland. On the 15 March 2021 the Scottish Government published the first [national population strategy](#) based on four key building blocks as follows;
1. A family friendly nation
 2. A healthy living society
 3. An attractive and welcoming country, and
 4. A more balanced population
- 3.6 With regard to the economy, there are a number of concurrent risks including COVID-19 volatility in the economy (resulting in a recession and closure or reduction of business activity), treasury function disruption and as described later, potential impact on food exporters into EU.
- 3.8 Due to the ongoing pandemic, collectively we are all still in the resilience phase and it remains to be seen when and how we can effectively commence economic recovery. At the time of writing, furlough support is currently scheduled to stop at the end of April 2021 and it is likely this will have an adverse impact on employment levels as some jobs may not be redeemed once this financial support ends.
- 3.9 It is possible to draw comparisons with the economic recession of 2008 – 2009 where UK employment levels did not return to pre-recession levels until 2017. A more specific distinction is the long period of financial reductions to the public sector (and particularly to local government) due to reduced income to governments and an objective to reduce national deficits. Therefore a medium to long term risk is the continued squeeze on public finances.

Trade

- 3.10 A central part of the TCA is the first ever EU non-tariff, non-quota deal with another trading partner in the largest bilateral trade deal in the world by volume of goods. Nonetheless, custom checks and controls now apply to all UK exports entering the UK. A separate and important mechanism is the

'level playing field' where both the EU and UK retain the right to take countermeasures if they believe they are being damaged by measures taken by the other in subsidy policy (State Aid), labour and social policy, or climate and environment policy, and fisheries; in plain terms this means the right to introduce quotas and tariffs.

- 3.11 The single greatest risk currently for Argyll and Bute is for food exports to the EU as they now require an Export Health Certificate (EHC). Our current projections was that this will generate a demand for an additional 1,000 EHCs in Argyll and Bute alone as the EU is our greatest export market for shellfish and to a lesser extent for aquaculture which has a more global market.
- 3.12 A significant development is all major food exporters in Argyll and Bute are using Commercial Hubs established in South Lanarkshire which reduced a significant burden on council services; possibly as many as an additional 19,000 EHCs per annum. Nonetheless, these suppliers now require attestation certificates from Argyll and Bute Council and this work is largely complete and will remain ongoing by request. This activity had a significant impact on resources within Regulatory Services and was prioritised at the expense of other statutory work. The Council continues to engage with and support industry at this time of change.
- 3.13 During the initial period of the new arrangements, due to issues with documentation (and primarily where multiple consignments were 'bundled'), a number of seafood exporters experienced lengthy delays at ports and a number of consignments were rotten. Allegedly single supplier vehicles were less impacted and were able to deliver goods on time. Regarding loss of income, the UK Government announced compensation for suppliers on top of the £100m fund that was previously set aside to invest in the UK fishing fleet.
- 3.14 On fisheries the UK has accepted that EU vessels continue fishing within UK waters with a distinction that the EU handing over 25% of its present quota to UK owned operators. This agreement will expire in 2026 and will be the subject of annual negotiations between the UK Government and the EU. The Council Leader and CEO are currently liaising with the Clyde Fisherman's Association to identify areas where the council can support the industry.
- 3.15 It remains to be seen if there will be an impact on the supply chain for other products, including other food (e.g. fruit and vegetables); this risk relates to an increase in costs as well as a reduction in choice. Senior officers continue to engage regularly with Scotland Excel, the Public Sector Food Forum and industry to ensure continuity of supply that meets nutrition standards.
- 3.16 Regarding ports and harbours', the only site of consideration in Argyll and Bute is Campbeltown. The Council's Marine Operations Team forms part of the West of Scotland Port Security Committee and received an approval in November 2020 which permits custom operations at this site from 31st December 2020 to 1st July 2021. The Marine Operations Team continues to liaise with relevant agencies, including HMRC to ensure business continuity.

Community

- 3.17 The primary risk for communities in the short to medium term is food security for vulnerable people and senior officers continue to liaise with the Argyll and Bute Community Food Forum which has evolved and expanded in response to the COVID-19 crisis. In addition, senior officers are liaising with the Scottish Governments Islands Directorate and Food Insecurity Team, from the Social Justice Directorate, where they pick up issues raised by the Food Forum. Whilst this is currently not a high risk, it is critical this is monitored to prevent a future crisis.

Policy and Funding

- 3.18 It is well established that the EU Structural and Investment funding programmes will be replaced by the UK Shared Prosperity Fund. The precursor to the UK Shared Prosperity Fund is the UK Community Renewal Fund and Argyll and Bute Council has been identified as a Lead Authority; one of the 100 priority places across the UK. The deadline for submission of bids from Lead Authorities to the UK Government is 18th June. These bids are competitive and there is no guarantee that funding will be awarded.

Health and Social Care

- 3.20 As described above, retaining and attracting staff into the care sector which is a growing sector in Argyll and Bute will be impacted by the loss of free movement of economically active EU residents to our area. In liaison with the HSCP this will be monitored and lobbying opportunities promoted to the leadership.

4.0 CONCLUSION

- 4.1 The exit from the European Union raises a number of risks and opportunities and the Council and HSCP continue to liaise with all partners and industry to ensure we remain as ready as possible whilst continue to monitor impacts on our communities.

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