

Report

Cabinet



Part 1

Date: 14th October 2020

Subject Newport City Council Brexit / Trade Negotiations Preparations Update

Purpose To present an update to Cabinet on the Brexit Trade Negotiations preparations that Newport City Council has taken since the last Cabinet Report in February 2020.

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Ward All

Summary Following the signing of the Withdrawal Agreement by the UK Parliament on 31st January 2020 the UK Government has been in negotiations with the EU on establishing a trade agreement by the deadline 31st December 2020. Whilst the focus of the UK and Wales has been on its Covid-19 response, the trade negotiations have been ongoing and in the last two months the risk of the UK and the EU not coming to an agreement has grown considerably and there is now an increased risk of the UK falling back onto World Trade Organisation arrangements.

Since February 2020, the Newport Council's focus has been on supporting communities and the economy with its Covid-19 response. In July, the Council's Brexit Task & Finish group recommenced and there is now renewed focus on understanding the risks and issues to the Council, the local economy and communities taking necessary actions to mitigate these.

Proposal Cabinet is asked to consider the contents of the report and note the Council's Brexit preparations.

Action by Corporate Management Team

Timetable Immediate

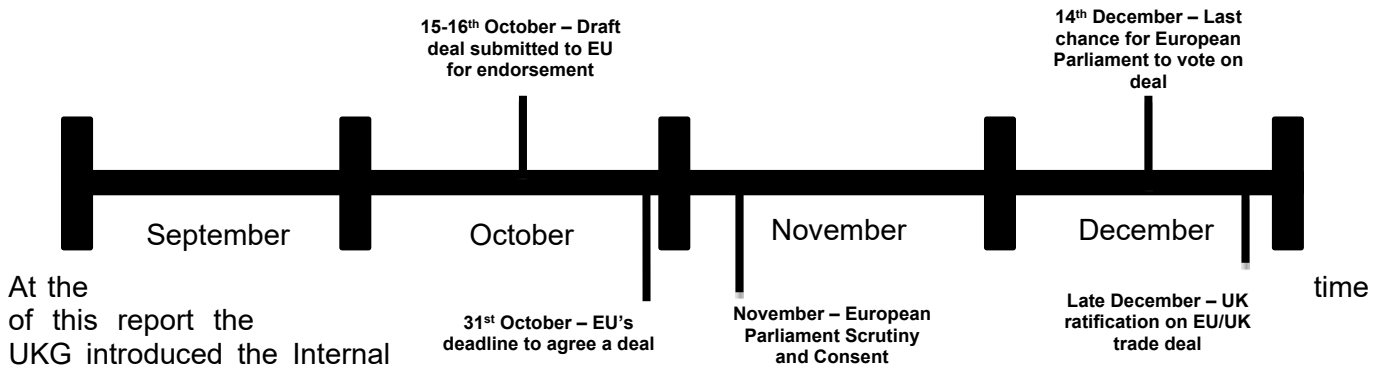
This report was prepared after consultation with:

- Heads of Service and officer Brexit 'Task and Finish' officer group

Signed

Background

Following the UK public vote to leave the EU in 2016, the UK Government (UKG) and EU spent over 3 years negotiating and agreeing a withdrawal agreement that was formally ratified on 31st January 2020. From this point the UKG and EU formally entered into a transition period to negotiate a trade deal and a future trade relationship by 31st December 2020. At the point of this Cabinet Report and Cabinet meeting in October 2020, there is less than two months for an agreement to be made. The timeline for the ongoing negotiations are:



rules for the operation of the UK internal market between England, Wales, Scotland and Northern Ireland after the transition period. The Bill proposes no new checks on goods moving from Northern Ireland to the rest of the UK and the power to override previously agreed obligations on state aid. For Wales, the Bill allows greater freedom when setting policy in devolved policy areas but there is a risk of new regulatory barriers being created for businesses across the UK. It has also been raised that the proposed Bill is breaking the principles set out in the Withdrawal Agreement and could potentially be breaking International Law. This could damage the UK's reputation and future trade arrangements. The Welsh Local Government Association have also highlighted concerns in response to the Bill:

- Actions by UKG in disregarding and dismissing the views and concerns of the devolved administrations could be seen as discrimination against the devolved nations.
- The Bill proposes that the Office for the Internal Market would sit within the Competition & Markets Authority (and so would be a Whitehall body, as opposed to being a four nation's organisation). Given the need to engage the devolved administrations, the idea of a body accountable solely to UK Parliament would be of questionable value.
- The Bill would introduce a new legal power for the UKG to replace EU funds (i.e. the UK Shared Prosperity Fund), including those for international cooperation. Work that has been undertaken to date by WG, LAs and partners in relation to future regional investment for Wales could prove abortive.
- No provision is made about engaging with Local Government and maybe this reflects that mutual recognition and non-discrimination will not apply to the provision of public goods and services.
- The Bill reserves the area of subsidy control (i.e. state aid) to UKG. This could impact on the proposed regional funding authorities in Wales and there could be a higher risk that regional funding authorities could engage in subsidy races driven by underlying variations in economic factors and policy positions. However, discussion and dialogue with Devolved Administrations could inform the process rather than subsidy control being a unilateral decision by UKG.

Uncertainty around the decision making powers between the UKG and the devolved nations was highlighted in media reports (September 2020) with the M4 Relief Road. It was reported that under the Internal Market Bill, the UKG could potentially override the WG decision and proceed to build the road.

Since February 2020, Newport Council's main focus has been on the Covid-19 crisis that has impacted the City's communities and economy. As restrictions have been easing, the Council has been supporting communities and businesses to recover and ensuring necessary guidelines are being adhered to. In the last month the number of Covid-19 positive cases has been increasing significantly and Newport alongside five other Councils have entered into local lockdowns. With these measures and the potential

risks of trade negotiations failing with the EU, the outcome(s) and impacts could exacerbate an already precarious situation for the City's economy and communities. Newport is also a base for many multi-national organisations such as ICE and Airbus, a busy small port that handles £1 billion of UK trade in agricultural products, forest products, metals and others; and many small to medium sized businesses that import / export to the EU. There are potential short to medium term risks should businesses have to fall back onto World Trade Organisation tariffs which could risk major investments in the area. There are also potential opportunities in the longer term for new investments to be established and to support more 'home-grown' businesses in the city.

In July 2020, the Council's Brexit Task & Finish group recommenced and is being led by the Head of People & Business Change and senior officers across the eight service areas and critical service providers such as Shared Resource Service and Newport Live. To date the Council's preparations have been focused on 3 areas:

1. **Your Organisation** (Priorities / People / Finance & Funding);
2. **Supplies and Services** (Services, suppliers and supply chain / Core Operations / Legal, Data & Regulatory)
3. **Your Place** (Local Community)

The focus of these areas are now taking into consideration the impacts of Covid-19 measures and any new / emerging issues that could be further impacted by the UKG failing to agree a trade deal with the EU. To date the Council has been focusing on the following areas:

Economy / Business Sector – The Council's Economic Development are exploring the delivery of virtual Brexit awareness event across the business sector in Newport (possibly surrounding region) to provide advice, guidance and information about preparing for trade 2021 and beyond. Throughout Covid, the team has been sending out regular newsletters to the business community on accessing funding and to signpost them to necessary government websites on Covid-19 / Brexit preparations. The team is also considering other avenues to raise awareness and support the local economy through joint Covid/Brexit work.

Procurement / Suppliers – The Procurement team and Service areas have been asked to review their supplier lists and to risk assess / contact any suppliers to identify any potential risks and/or issues that could be emerging. Many suppliers that the Council uses are UK based although the wider supply chain that many of these organisations use could be impacted. The Council's Procurement team and Finance are already aware of potential price increases and supply chain issues should the UK fall back onto World Trade Organisation Tariffs. As soon as the position is known the Council will be able to consider the potential impact (if any) on the Council's supply chain.

The Council's Procurement team, Regeneration team and Public Services Board are exploring how the Council can support progressive procurement and use local supply chains to purchase goods and services.

Regulatory Services - The Council's Regulatory service is awaiting updates from Central and Welsh Governments on what the future arrangements will be and what the requirements will be for Regulatory services. Regulatory Services have received funding from Welsh Government to support the training of staff to manage the new requirements and will be conducting training as soon as the arrangements are known.

Social Services / Care Homes / Food and Medical Supplies – Prior to Covid-19 the stability of small to medium sized care providers and homes was vulnerable. Since the crisis these vulnerabilities have been further compounded, raising concerns around the long term stability of the social care sector. As part of ongoing recovery, work is being undertaken by the Council's Adult Services, to understand the future capacity and capability of providers and other third sector organisations to deliver services. There are no immediate risks raised in relation to the availability of food and medical supplies at homes, providers and school based settings. Additionally, there are no immediate issues in relation to the workforce in the Newport area.

European Settled Status Scheme (EUSS) – Home Office data from August 2018 to June 2020 reports 6,630 applications being made, with 3,760 Settled Outcomes and 2,150 Pre-settled Outcomes. With an estimated population of 8,000 EU residents this equates to 82.9% of the population. The Council leads an EU Citizens group alongside partners in Citizens Advice Bureau, Pobl, Newfields Law and others. Concerns remain about ensuring we engage more effectively with our most vulnerable EU citizens and

others who might have postponed applying due to Covid-19. Consequently the Council is working with its partners launching a radio campaign, ongoing social media presence and engaging with communities to encourage up take.

Food Poverty / WLGA Food Poverty Grant – In 2019/20 the Council received £80,315 in grant funding to support local food banks, charities and groups that deliver food poverty related activities. Due to Covid-19 and the increase in the number of residents accessing food banks and charities and the loss of income / donations, this funding was used to support these organisations. The remainder of the funding is being retained at present in case of a further emergency response.

The full list of areas being monitored by the Task & Finish group are included in Appendix 1 of this report. The areas covered above and in Appendix 1 are being undertaken within existing resources.

Financial Summary

As part of the Council’s financial monitoring, the Council’s Finance team are monitoring any impacts on budgets due to Covid-19 and Brexit. The Council’s Finance team are aware of the situation relating to the potential VAT and tariff implications on goods and services should the UK fall back to WTO conditions.

Risks

Brexit is recorded on the Council’s Corporate Risk Register which is presented to Cabinet and Audit Committee every quarter. In Quarter 1 of 2020/21 the Brexit risk score remained at 12. However, in Quarter 2 due to the increasing risk of UKG failing to negotiate a trade agreement it is likely that this will be increasing.

| Risk | Impact of Risk if it occurs* (1-5) | Probability of risk occurring (1-5) | What is the Council doing or what has it done to avoid the risk or reduce its effect | Who is responsible for dealing with the risk? |
|--------|------------------------------------|-------------------------------------|--|--|
| Brexit | 4 | 3 | See Report. | Corporate Management Team and Brexit Task & Finish Group |

Links to Council Policies and Priorities

Corporate Plan
Risk Management Strategy

Options Available and considered

1. To consider and note the contents of the report and for Cabinet / Cabinet Members to receive updates from officers as part of their portfolio.
2. To request further information or reject the contents of the report

Preferred Option and Why

1. To consider and note the contents of the report and for Cabinet / Cabinet Members to receive updates from officers as part of their portfolio.

Comments of Chief Financial Officer

The financial impact of Brexit is uncertain, however, there are indications that there could be an impact on prices and supply of goods that may further impact on both capital and revenue budgets. Budget / Service managers, with finance team colleagues, will continue to monitor these on a regular basis and any issues arising will be highlighted through the regular monitoring and budget setting processes.

Any negative financial impact arising from Brexit, whether it be through price increases or funding reductions could present a significant challenge to the Council. There are no specific reserves or contingencies that deal exclusively with Brexit but the Council's budget includes a 'general budget contingency' of £1.5m to deal with short term / in-year budget pressures.

Comments of Monitoring Officer

There are no specific legal issues arising from the Report, which provides an update for Cabinet regarding the Council's Brexit preparations. The risks associated with a "no deal" Brexit have abated, following the Parliamentary General Election and the initial approval of the Withdrawal Bill by Parliament. Subject to the withdrawal being ratified on 31st January, then there will be a further period of trade negotiations up to the end of December 2020. Any legal implications for existing contracts for supplies, services and care provision, data security matters and any regulatory enforcement issues, particularly in relation to port health, will be addressed once the consequences of any trade agreement become clearer.

Comments of Head of People and Business Change

The outcomes from the Brexit Trade Negotiations could have an impacts on the City of Newport and the Council's services. With Covid-19 still prevalent there is a risk that the economy and communities could be impacted by the UK falling back to World Trade Organisation tariffs. It is encouraging to see a large uptake in the number of residents applying for EUSS and the Council is making every effort alongside its partners to encourage those that have yet to apply, to do so by the deadline. The Council's Brexit Task and Finish group will continue to monitor and report on the progress being made by the Council and to raise any further risks and issues as they arise.

Comments of Cabinet Member

The Leader of the Council is briefed on all aspects of risk management within the Council and related Brexit issues and work.

Local issues

Members to be aware the impacts that Brexit can have on our Local Communities and business.

Scrutiny Committees

The Council's Audit Committee receives regular risk register updates on the Council's Risk Register which includes the Brexit Risk.

Equalities Impact Assessment

Not applicable.

Children and Families (Wales) Measure

Not applicable.

Wellbeing of Future Generations (Wales) Act 2015

There are potential long term impacts of Brexit Trade Negotiations which could affect the future demand on our services to provide the necessary support, advice and guidance. There may also be opportunities that could arise and the Council will need to make preparations to accordingly. In preparation we have been working collaboratively across the Council and with our partners to make sure that our services to prevent any scenario where services are disrupted and to provide resilience across the City and to our local partners. We have also been involving our stakeholders and where necessary providing the necessary advice and guidance to those that need our support. Going forward we will continue to monitor and report where necessary any impacts which Brexit could have on the delivery of our services.

Crime and Disorder Act 1998

Not applicable.

Consultation

Corporate Management Team
Brexit Task & Finish Group

Background Papers

Corporate Risk Register Quarter 1 Update to Cabinet 14th October 2020
Welsh Government website '[Preparing Wales to leave the EU](#)'
Welsh Local Government Association '[Brexit Website](#)'
Newport City Council's '[Brexit Webpage](#)'

Dated: October 2020

Appendix 1 – Summary actions taken through the Task & Finish Group

| Theme | Progress of Activity completed by Newport Council to 30 th September 2020 |
|--|--|
| Your Organisation (Communications) | Staff news communications from senior leadership provided an update on the current Covid-19 position and also to remind staff that Brexit trade negotiations need to be considered moving forward for the remainder of the year. Further communications are planned for the Council in 2019/20. |
| Your Organisation (Finance and Funding) | <p>Due to Covid-19 the Council's Finance team have been focusing on the 2020/21 financial position for the Council and are considering the potential implications should the UK revert back to World Trade Organisation (WTO) tariffs. There are VAT and tariff implications to be considered and will have to be factored into the financial profile as they become known.</p> <p>Further clarification will also need to be sought in relation to EU funded schemes and the proposals of an Internal Market Bill and the Welsh Government's position as to the long term position.</p> |
| Supplies and Services | <p>The Procurement team and Service areas have been asked to review their supplier lists and to risk assess / contact any suppliers to identify any potential risks and/or issues that could be emerging. Many suppliers that the Council uses are UK based although the wider supply chain that many of these organisations use could be impacted. The Council's Procurement team and Finance are already aware of potential price increases and supply chain issues should the UK fall back onto World Trade Organisation Tariffs. As soon as the position is known the Council will be able to consider the potential impact (if any) on the Council's supply chain.</p> <p>The Council's Procurement team, Regeneration team and Public Services Board are exploring the Council can support progressive procurement and use local supply chains to purchase goods and services.</p> |
| Supplies and Services (Social Services) | <p>Stability of social care providers and homes – Prior to the impact of Covid-19 small to medium sized social care providers and homes were already at risk and vulnerable to significant changes to the cost of running the service. As part of the Council's overall response to Covid-19 and general delivery of services, Social Services Commissioning team are already in contact with providers to ensure that they have the necessary contingencies to be able to operate sustainably. The Council is also represented on the Welsh Government's Brexit Group. Additionally, there are no immediate issues in relation to the workforce in the Newport area.</p> <p>Food and medical supplies – there are no immediate risks in relation to the supply of food and medicines</p> |
| Supplies and Services (ICT) Security / Data Protection arrangements | <p>The Council's ICT provider Shared Resource Service (SRS) have been undertaking a review of the Council's ICT systems and critical applications used. The SRS have indicated that it is unlikely that there will be any initial issues with availability of equipment but this will be monitored closely in 2020.</p> <p>All the council's cloud data storage is stored in the UK which removes the concern over international data transfers following the transition period. Cyber Security threats remain the same and the Council has the necessary Firewalls, security and disaster recovery in place. To mitigate the threat of ransomware, a solution has been procured to provide added protection for such threats. Legislation and regulation will continue to be monitored in 2020 as the UK negotiates future trade relationships.</p> |
| Supplies and Services (Regulatory Services) | The Council's Regulatory service is awaiting updates from Central and Welsh Governments on what the future arrangements will be and what the requirements will be for Regulatory services. Regulatory Services have |

| Theme | Progress of Activity completed by Newport Council to 30 th September 2020 |
|---|--|
| | received funding from Welsh Government to support the training of staff to manage the new requirements and will be conducting training as soon as the arrangements are known. |
| Local Community (Newport Business Community) | The Council's Economic Development are exploring the delivery of virtual Brexit awareness event across the business sector in Newport (possibly surrounding region) to provide advice, guidance and information about preparing for 2021 and beyond. The team is also considering other avenues to raise awareness and support the local economy through joint Covid/Brexit work. |
| Local Community (Civil Contingencies) | As a member of the Gwent Local Resilience Forum (LRF) we have established mechanisms to monitor and report on any civil contingencies impacts. The Gwent LRF are considering all of the significant risks such as Covid-19, Brexit and winter weather disruptions that could emerge during this period. |
| Local Community (Community Cohesion) | <p>During Covid-19 the Council's Community Cohesion Officer have been in contact virtually with EU Communities on supporting residents with Covid-19 issues, hate crime and Brexit related issues. The Council's EU website provides residents with necessary links and signposting to services.</p> <p>There has been an amplification of community tensions blaming some communities for the spread of Covid and continues to be monitored closely.</p> |
| Local Community (EU Settled Status) | <p>Home Office data (August 2018 to June 2020) shows Newport had 6,630 applications being made with 3,760 Settled Outcomes and 2,150 Pre-settled Outcomes. With an estimated population of 8,000 EU residents this equates to 82.9% of the population. The Council leads EU Citizens group alongside its partners in Citizens Advice Bureau, Pobl, Newfields Law and others. Concerns remain about ensuring we engage more with hard to reach groups and others who might have postponed applying due to Covid-19.</p> <p>Monmouthshire and Newport's funding has been combined to a total of £22k. Plans to spend on face to face engagement have not been possible due to COVID-19. Projects in development include a Gwent-wide radio campaign (Capital Radio) and development of several information/promotion videos in community languages. Discussions ongoing in both LAs regarding how finding can be utilised appropriately.</p> |
| Local Community – (Food Poverty) | In 2019/20 the Council received £80,315 in grant funding to support local food banks, charities and groups that deliver food poverty related activities. Due to Covid-19 and the increase in the number of residents accessing food banks and charities and the loss of income / donations, this funding was used to support these organisations. The remainder of the funding is being considered for any additional demand on food banks in light of any further Covid-19 outbreaks. |
| Local Community (Homelessness) | In 2019/20, Newport Council has claimed £27k out of the £45k offered by the WLGA to tackle homelessness amongst migrant communities in Wales. The remainder of the funding has been allocated back to Welsh Government to support the homeless that were impacted by Covid-19. With the £27k, work is being undertaken to support those that have no recourse to public funds. |