

Report



Cabinet

Part 1

Date: 16 December 2020

Subject **Brexit Transition / Trade Negotiations – Newport City Council Preparations Update**

Purpose To present an update to Cabinet on the current situation with UK Government Trade Negotiations with the EU and Newport City Council preparations since the last Cabinet Report in November 2020.

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Ward All

Summary At the time of this report, the UK and EU were locked into the final stages of negotiations with no decision made on whether a trade deal would be agreed or not in time for 31st December 2020. For Wales and Newport the uncertainty is making it difficult for businesses and organisations to effectively prepare. From the 31st December 2020, new arrangements will also come into place for people travelling into and out of Europe as well as new immigration laws.

For Newport Council and communities, like many other organisations the full impact of these arrangements after 1st January are not fully known both in the short term and the longer term. It is widely anticipated that the Council will see cost increases in the price of goods and in some areas potential supply chain issues. This is also likely to have an impact on vulnerable and low income households. For EU Citizens that have been living in the UK prior to 31st December 2020 it is now imperative for them to apply for Settled Status, before the 6 month grace period that commences on the 1st January 2021, when it may become increasingly difficult for applicants to prove their right to remain.

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 European Union (EU) spent over 3 years negotiating and agreeing a withdrawal agreement that was formally ratified on 31st January 2020. This meant that the UK no longer participates in the EU Council and Parliament and no longer part of the Customs Union and Single Market. However, the UK and EU entered into a transition period to enable the UK and EU implement a future trading relationship by 31st December 2020. At the point of this Cabinet Report and Cabinet meeting in December 2020, there is less than two weeks until the deadline. At the time of this report the key deadlines and process for agreeing a deal is fluid as the UKG and EU are locked into final negotiations and it remains unclear whether a trade deal will be agreed by both sides. It has been widely reported by the media that significant differences remained on fishing, business competition rules and governance of any deal.

In November 2020, the Welsh Government (WG) published its ['End of Transition Action Plan'](#) which sets out the WG priority areas in the run up to the 31st December 2020. The priority areas are:

Supply of critical goods - WG has identified food supply and medical supplies as the key areas of concern;

Business readiness and support - business readiness to comply with regulations and data requirements and understanding potential skill shortages if there is a reduction in migration from EU nationals. The Welsh Government continue to update their websites 'Preparing Wales' and 'Business Wales' to get the necessary advice and guidance to businesses and residents living in Wales;

Public services and communities – This is focused on supporting EU and Welsh residents including supporting Settled Status, public data resilience, providing citizens with advice and supporting continued transport and travel;

Operational activities – This area is ensuring ports and traffic management arrangements are in place, energy and climate change, future EU programme participation and domestic replacements; and

Welsh Government resourcing and responsibilities – WG negotiations with HM Treasury on funding, the UK Shared Prosperity Fund, legislation and new functions.

As noted in last month's Cabinet Report, the Council's primary focus has been on the Covid-19 crisis and adapting to the fluid changes in legislation that the Council, businesses and residents have to adhere to, to manage the outbreak in the City and across the region. In the Audit Wales assessment of progress against the [Well-being of Future Generations Act](#) it has identified four challenges that public bodies will face over the next five years: the impact of Covid-19; climate change and biodiversity loss; tackling inequality; and the UK's departure from the EU. The report acknowledges that all public bodies including Newport Council will need to carefully manage immediate, medium and longer-term effects that will pose a wide range of new challenges, risks and opportunities.

Through the Council's Civil Contingencies role, the Gwent Local Resilience Forum has also been monitoring and reviewing the Brexit preparations for the region. This has included assessment of the national and regional risks / issues in the run up to and post transition period. This work is being shared across local authorities and multi-agency partners as part of their preparation. The Council's Brexit Task & Finish group also continues to monitor the ongoing situation and notifications in changes to regulatory requirements. Since the last report in November, similar to public sector bodies and organisations across the UK, we have been awaiting the completion of the negotiations to obtain the necessary clarity, legislative requirements and guidelines to implement. Further guidance and support has also been provided by the Welsh Local Government Association which is being incorporated into the Brexit Task & Finish Group. A summary of the Council's preparations is below:

Communication (Internal / External) – The Council has been publishing reminders to staff about the new requirements for travel for 2021 and also reminding EU citizens working for the Council to apply for EU Settled Status. Additionally the Council's Brexit page has been updated to support businesses and residents, signposting them to the Welsh Government and UK Government sites.

Human Resources (HR) – From 1st January 2021, new immigration laws will be in place which means that EU citizens wishing to travel to work in the UK will have to apply for a Visa. Organisations wishing to employ EU citizens who do not already have settled status must apply to the Home Office for a Sponsorship Licence. The Council’s HR team are reviewing the requirements to apply and ensure future compliance. Specific guidance in relation to recruiting and managing teachers and school staff who are EU citizens has been produced by the Home Office and shared with all schools.

Finance – As part of the Council’s budget preparations and Medium Term Financial Planning, service areas have been asked to consider the impacts of leaving the EU trade arrangements. The Council participates in one major European funded scheme (Inspire to Achieve) which is delivered across the south east region of Wales. The programme will continue to run until December 2023 and will await the outcomes of how European schemes will be delivered by Welsh Government in the future.

Procurement – The Council’s Procurement team have been in contact with the Council’s key suppliers and services where no significant supply chain issues have been identified. However, there is a high probability of some price increases but it is difficult to fully assess this impact in the short to medium term. No issues have been identified with food or medical supplies and the Council’s IT provider (SRS) has been identifying supply issues but these have been predominantly due to the Covid-19 pandemic and the increase in demand for IT equipment.

Regulatory Services – The Council’s Regulatory services including Environmental Health are awaiting the guidance on the exact regulatory requirements post 31st December. Due to Covid-19 the resources of Regulatory Services are being stretched as it manages the Test Track and Protect service and now also the Brexit arrangements. This is being monitored through the Council’s Gold Command process.

Community Cohesion / EUSS – Covid-19 has already impacted on many vulnerable and marginalised communities in Newport, including EU communities, many of whom now face additional challenges, including insecure tenancy and unemployment. It is also recognised that the post transition period could exacerbate the position of low income households should food and fuel prices increase. Ongoing work is being undertaken with Food Banks, third sector partners and community groups to understand and respond to emerging issues. A weekly EU drop in has been recommenced to offer advice and support to EU citizens on the EUSS and wider support needs. Additional work is taking place across schools and with third sector partners to engage EU communities where there are low numbers of EUSS applications. It is also recognised that tensions are increasing in relation to wider immigration matters, and that impending changes may lead to further spikes in hate crime, and discrimination directed at EU citizens.

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

The Council’s Brexit risk is recorded on the Council’s Corporate Risk Register which is presented to Cabinet and Audit Committee every quarter. At the end of quarter 2 of 2020/21 the Brexit risk score has increased to 16 to reflect the increased probability of the UK leaving without a deal. This will be reported to Cabinet in December 2020.

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?
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Brexit	4	4	See Report.	Corporate Management Team and Brexit Task & Finish Group
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Links to Council Policies and Priorities

- Corporate Plan
- Strategic Recovery Aims
- 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 currently 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 and consideration will need to be given to any specific reserves/contingencies required as part of 2021/22 budget setting.

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 specific risks associated with the withdrawal cannot be identified until the ongoing negotiations have been concluded and there is clarity about the future trading arrangements. 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 the withdrawal 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.

The employment of new starters without settled status after 1st January 2021 will be subject to the Council being an approved sponsor for the level of visa tier required and a decision will need to be made on

whether the Council wishes to apply for approved sponsorship with the Home Office. During the grace period of 1st January to 30th June 2021 existing right to work checks should continue – Home Office guidance reminds employers of the duty not to discriminate against EU, EEA or Swiss citizens by requiring them to prove their status under the EUSS during this time. EU citizens who have settled status in the UK are not affected by any employment restrictions.

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

A paper is being prepared for consideration by the Brexit task and finish group which will assess the potential impact on communities post-December, as well as identifying risks associated with the changes to immigration rules.

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

Welsh Government website '[Preparing Wales to leave the EU](#)'

Welsh Local Government Association '[Brexit Website](#)'

Newport City Council's '[Brexit Webpage](#)'

Dated: 8th December 2020

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

Theme	Progress of Activity completed by Newport Council to 30 th November 2020
Your Organisation (Communications)	<ul style="list-style-type: none"> The Council's internal communications team have included a section on EU Settled Status to staff and to remind all EU citizens working for the Council to apply for Settled Status. The Council have an external Brexit webpage for all residents and businesses in Newport signposting visitors to the necessary Welsh Government and UK Government information / websites.
Your Organisation (Human Resources)	<ul style="list-style-type: none"> From 1st January 2021, a new immigration system will be implemented in the UK that will be a points based system for all non UK citizens. If the Council is employing someone living in the EU, the Council will have to apply to a Home Office Sponsorship Licence. For teams such as GEMS where a significant proportion of staff are from the EU and are employed to support children and their families where English and/or Welsh is not their first language. The Council's HR team are reviewing and ensuring the necessary requirements are met.
Your Organisation (Finance and Funding)	<ul style="list-style-type: none"> The Council's Finance team are closely monitoring the financial situation that will be dependent on the final outcome(s) of the trade deal. Service areas have been asked to consider any Brexit implications as part of the Council's annual budget preparation, capital monitoring and Medium Term Financial Savings. There is likely to be financial impacts should tariffs and VAT prices change. However, it is currently very difficult to forecast what the impact of this will be until there is clarification on the negotiations. The Council participates directly in one EU funded programme, Inspire to Achieve that is funded until December 2023. This programme covers the South East Wales Region and the Council is awaiting further decision from Welsh Government on the arrangements after 2023.
Supplies and Services (including social services and ICT)	<ul style="list-style-type: none"> The Council's Procurement team have contacted key suppliers and monitoring their current preparation and situation. To date, suppliers have not identified any significant supply chain issues but we are aware that there could be potential price increases and wider global supply chain issues. The Council's Social Services Commissioning team are not aware of any significant medical and/or food supply chain issues. The Council's ICT provider (Shared Resource Service) has identified ICT supply issues, but these have been mainly related to the Covid-19 impact and increase in global demand for video conferencing, home working / schooling and general IT demand.
Security / Data Protection arrangements	<ul style="list-style-type: none"> Globally, there has been significant increase in cyber-attacks on public bodies and other organisations. To mitigate against this threat the Council's ICT provider has recently upgraded their firewalls to mitigate against potential ransomware attacks. The Council's Information Management team has audited key IT suppliers and agreements ensuring data is being stored in the UK and meeting the necessary requirements.
Supplies and Services (Regulatory Services)	<ul style="list-style-type: none"> The Council's Regulatory and Environmental Health services have been focused on supporting businesses and consumers impacted by the Covid-19 requirements. The teams are awaiting confirmation of the final legislative requirements and guidance from the respective government departments.
Local Community (Newport Business Community)	<ul style="list-style-type: none"> There is ongoing communication and information being disseminated to local Small to Medium sized businesses in Newport. The Council's website also includes necessary information and signposting businesses to Welsh Government and UK Government websites.
Local Community (Civil Contingencies)	<ul style="list-style-type: none"> The Council's Civil Contingencies team has been focused on the Covid-19 response and have also been monitoring the Brexit preparations as part of the Gwent Local Resilience Forum.

Theme	Progress of Activity completed by Newport Council to 30 th November 2020
<p>Local Community (Community Cohesion)</p> <ul style="list-style-type: none"> • EU Settled Status / EU communities • Food Poverty • Homelessness (EU Citizens) • Community cohesion 	<ul style="list-style-type: none"> • Final arrangements are being put in place for post transition arrangements identifying key risks and responses for the Gwent region. • Continuous work is being undertaken by the Council's Community Cohesion team and partners to encourage residents to apply to the EU Settled Status scheme. • The Council and partners have identified key communities and to encourage and increase the number of applications before the deadline. • Food Poverty has been exacerbated during the Covid-19 and has impacted on low income/vulnerable households. The Council participates in working group with food banks and local groups working towards establishing longer term solutions. • Welsh Government has diverted resources to support the homeless during Covid-19 and working with Council's / Registered Social Landlords to implement longer term solutions to support the homeless into accommodation, health and social support. • The Council is undertaking an Equalities Impact Assessment to examine the impact the post transition arrangements on communities in Newport.