

Report



Cabinet

Part 1

Date: 8 January 2021

Subject **Post Brexit Transition – Newport City Council Update**

Purpose To present an update to Cabinet following the outcomes of the UK Government and EU Trade negotiations; and an update on Newport City Council's response and monitoring of the situation before and after 31st December 2020.

Author Chief Executive
Head of People and Business Change

Ward All

Summary Since the last report to Cabinet on 16th December 2020, the UK Government and EU negotiators agreed a new trade deal and from 1st January 2021. The deal will enable businesses to trade tariff free with the EU but will end the freedom of movement into and out of the UK. Businesses trading with the EU will still have to ensure that they comply with the new regulations and there could still be some disruption at the borders in the short term.

New travel and migration rules have also come into place which require all current residents to ensure that they meet the necessary requirements when travelling into and out of the EU area.

The Council has been monitoring the situation since the decision was made throughout the Christmas period and responding as required alongside its existing Covid arrangements. In the medium to long term, there remains many unknowns in terms the financial impact on the Council and also the economy in Newport / South East Wales under the new arrangements.

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' 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.

On 24th December 2020 the UK and EU agreed a trade deal that will mean that the UK will be able to trade tariff free to the EU. For many businesses that trade directly with the EU this will provide much certainty in what has been a very difficult year. However, under the new arrangement businesses trading with the EU will still have to make customs declarations and the UK Government has indicated that could be some disruption in the short term. In addition to the trade deal new rules have come into place from the 1st January 2021 including:

- New points based immigration system for all non UK residents (excluding Irish Citizens) looking to move and work in the UK.
- Travellers into and out of the UK will have to follow new rules including travel insurance with health cover. From 2022 UK nationals will have to pay for an electronic authorisation to travel to the EU.
- UK citizens looking to move to the EU will no longer have an automatic right to live or work and will require necessary resident permits or requirements of that country.

For EU citizens already living and working in the UK prior to the 31st December 2020 it is now imperative for them to apply for settled status before 30th June 2021. It will be important for EU Citizens to ensure that they complete their applications. The Council alongside its multi-agency partners will continue to promote and encourage EU residents to apply throughout this period.

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.

There remain many areas which will need further clarity on future arrangements such as the shared prosperity fund and agricultural support. But for large organisations and employers for the South East region such as Airbus this will provide certainty.

In the run up to the 31st December, the Council's Brexit Task & Finish Group and Civil Contingencies through the Gwent Local Resilience Forum have been monitoring and responding to the city wide, regional and national risk/issues. Whilst a significant proportion of this risk has been reduced with the new trade agreement both areas will still be monitoring the situation over the next few months and as necessary signposting and ensuring businesses and residents comply (as necessary) with the new rules / requirements.

A summary of the Council's preparations is outlined below.

Communication – The Council has updated its Brexit pages to reflect the outcome(s) of the EU Trade negotiations and future arrangements after 31st December. The Council's Regeneration team have continued to communicate and signpost businesses to the Welsh Government website and Business Wales website.

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. There is a high probability of 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. If there are significant changes in prices, contingencies could be used to support these pressures.

Regulatory Services and Environmental Health – The Council's Regulatory and Environmental Health teams have been supporting the City's Test Track and Protect service which has seen unprecedented demand over the last couple of months. 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.

The council are aware of a growing number of EU nationals who are finding themselves with no recourse to public funds as a result of EUSS outcomes, and the hidden demand for support which is at present masked by extended COVID duties which require LAs to house people with no recourse to public funds (NRPF), as well as the current restrictions on private evictions. As we move into a period where people are more at risk of having an insecure migration status, or living unlawfully in the UK, these risks will be compounded.

Post-Brexit rights remain unclear, for both communities and service providers, which risks people being unfairly discriminated against and at risk of exploitation. Anecdotal reports suggest that EU nationals have been arriving locally to ensure they meet the 31st Dec deadline to apply to the EUSS, potentially leading to overcrowding and other welfare concerns.

In addition, the British National Overseas (Hong Kong) Visa scheme will open in January for applications for 5 year or 30 month residency. UKG has estimated up to half a million people arriving in the UK from March. This immigration status also comes with a No Recourse to Public Funds (NRPF) condition, which is likely, again, to increase pressures on statutory and voluntary services, as well as potentially increase community tensions.

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 World Trade Organisation (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 has been 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?
Brexit	4	4	See Report.	Corporate Management Team and Brexit Task & Finish Group

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 have now been mitigated by the belated trade deal, subject to ratification by the member states. However, despite the agreement regarding no tariffs and quotas on imported and exported goods, there is still remaining uncertainty regarding the impact on other areas, such as services and data security. 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 details of the trade agreement are clarified and implemented in national legislation. It is likely that, despite the non-imposition of tariffs and quotas, additional port health checks will be required in terms of certifying compliance with new regulations and this will have resource implications for Public Protection, when staff are full committed to TTP and Covid-19 response work.

Comments of Head of People and Business Change

The new trade arrangements with the EU will provide much certainty for businesses and the Council and has significantly reduced the risk for the Council and businesses in Newport. 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 officer 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: 31st December 2020

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

Theme	Progress of Activity completed by Newport Council to 31 st December 2020
Your Organisation (Communications)	<ul style="list-style-type: none"> The Council's communication team have updated the Council's Brexit pages to reflect the outcome(s) of the negotiations and new requirements for businesses and residents including applying for Settled Status.
Your Organisation (Human Resources)	<ul style="list-style-type: none"> As part of the Council's service planning, the HR Business Partners will be supporting service areas with their workforce planning. HR will be supporting service areas to ensure any existing staff have applied for EUSS and identifying any potential gaps / resource requirements for the future.
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 updated its infrastructure 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. Environmental Health resources are stretched due to the Test Trace and Protect service. This has been reported to the Council's Covid Recovery group and are monitoring resources pulling in additional resource as required.
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. Final arrangements are being put in place for post transition arrangements identifying key risks and responses for the Gwent region.
Local Community (Community Cohesion) • EU Settled Status / EU communities	<ul style="list-style-type: none"> 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.

Theme	Progress of Activity completed by Newport Council to 31 st December 2020
<ul style="list-style-type: none"> • Food Poverty • Homelessness (EU Citizens) • Community cohesion 	<ul style="list-style-type: none"> • 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. • Working in collaboration with Regeneration Investment Housing additional resource is to be provided in the New Year to support low income and vulnerable households that have been impacted by Covid-19 restrictions. • 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. • Weekly community tensions calls are now re-established with Gwent Police to monitor any rises in hate crime or other community concerns