

Report

Cabinet

Part 1

Date: 7 April 2021

Subject Post Brexit / Trade Agreement – 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 post Brexit arrangements after 31st December 2020.

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Ward All

Summary Since the last report to Cabinet on 10th March 2021, the UK has been operating under the new arrangements for over three months. In this period many business trading with the EU have had to adapt to these new changes and there remains uncertainty over the medium to long term impact that these arrangements will have on the City's economy and also Newport Council.

For EU citizens living in Newport there are now less than four months for people to apply for EU Settled Status before the 30th June 2021 deadline. The Council and its partners are continuing to promote and encourage people to apply before the deadline. In addition to this there are also changes to the migration laws and a new points based system that is now in place.

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

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

On the 31st December 2020 the UK officially left the European Union (EU) and the Single Market. The UK and EU have agreed a trade arrangement that will prevent tariffs being imposed on EU and UK goods. But the new regulations now require businesses that trade with the EU to complete a number of forms and documents in order to continue to meet the new arrangements. The [Office for National Statistics \(ONS\)](#) published its first statistics on UK trade since we left the EU in March. The figures reported the UK saw a 40% drop in exports and 29% drop in imports to the EU. Whilst the ONS believes this is largely in part due to businesses stockpiling before the 31st December deadline, we will need to see if further statistical data confirms this to be a continuing trend or this will balance itself over time. As the economy reopens through the easing of Covid restrictions this may also reveal some of the impacts that Brexit has had on the economy in Wales.

Since the UK left the EU, there remains many legislative areas to be ratified across the UK. In March, the UK Government announced two subsidy schemes that will replace EU Structural Funding that many areas in South East Wales including Newport benefited from:

1. [Levelling Up Fund](#)

£800m has been allocated to the devolved nations (although the exact amount Welsh authorities will receive are unknown) to priority areas. Newport has been categorised as a Priority 1 area and will focus on three investment themes: Transport investments; Regeneration and town centre investment and cultural investment. Local authorities will be able to submit one bid for every MP that lies in their boundary which means Newport will be able to submit two bids. Bids can also be submitted in collaboration with neighbouring authorities on cross boundary schemes.

2. [UK Community Renewal Fund \(precursor to the UK Shared Prosperity Fund\)](#)

The UK Community Renewal Fund is the precursor to the UK Shared Prosperity Fund that will be available for 2021/22. The UK Government announced £220 million of investment but it is not clear at the time of this report how much Wales will be able to access this fund. The UK Government has also identified 100 priority areas most in need based upon productivity, household income, unemployment, skills and population density. For Newport, we were not identified as a priority area under this criteria but we can still submit bids for funding albeit subject to tighter evaluation requirements in comparison to the Top 100 areas. The Council, local community groups, education establishments will be able to submit bids (Up to £3m) to the Lead Authority (Newport Council) which will have to be assessed and selected by panel before formally submitted to the UK Government. Planning for this has commenced.

Both of these funds will require Newport Council to submit bids to the UK Government which will be subject to an assessment and compete with other local authorities across the UK. Therefore it will not be guaranteed that Newport will be successful with this bids. Both funds must have bids submitted by June 2021 and there will be further work which the Council and partners need to do to identify and submit robust proposals.

Moving forward it will be important to ensure that new / existing local and regional projects are able to maximise these opportunities and that Newport Council with its regional partners ensure sustainable investment continues to be delivered for its communities and economy.

This work will also support the Welsh Government (WG) position published in its '[End of Transition Action Plan](#)' which sets out the WG priority areas. In addition to this WG has also published its paper [The New relationship with the EU](#) which outlines what the new trade arrangements, security, travel and rights of UK / EU Citizens. New migration and travel rules have also 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.

EU Settled Status / Post Brexit Rights

There is now less than three months for EU Citizens to apply for EU Settled Status by the 30th June deadline. EU Citizens living and working in Newport significantly contribute towards the City's economy and its communities. To date over 8,000 applications have been made in Newport. It will be important that we ensure all EU families and individuals living in the City apply before the deadline and to ensure that they are not disadvantaged after this date. Since the scheme has been in operation, Newport Council alongside our partners at Newport Homes, Newfields Law, Citizens Advice Bureau and others have been working closely with our communities to support them through this process. Welsh Government alongside the WLGA are very aware of the uncertainty and issues being faced by EU Citizens and are seeking assurances from the Home Office over their rights after the deadline and if the deadline can be extended due to the issues faced because of the lockdown measures.

In March, Newport Council and Newfields Law hosted an event to businesses and organisations explaining the rights of EU people living in Newport to continue to provide services effectively and fairly.

The Council has raised these concerns with the Welsh Government Local Government Association Brexit Co-ordinators Group and Welsh Government. The Council alongside its partners will also work towards local work to provide necessary advice, guidance and support to businesses and residents.

A summary of the Council's ongoing work is outlined below:

Communication – We have been sharing communications from the Council and Welsh Government on EUSS, Business support and providing services to EU residents in the city. The Council's internal communications team will also be sharing further information on EUSS and post Brexit rights.

Finance – The Council's Finance team are monitoring the impact that the new arrangement will have on the delivery of Council services and major capital projects. 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. The Council will be considering the prospectuses of the Shared Prosperity Fund and Levelling Up Fund to support key projects in Newport.

Procurement – Since the new trade arrangements came into place, no significant issues have been reported by service areas in relation to the supply chain as a result of the new trade arrangements. Some areas of the Council have noted price increases in the purchasing of goods and services but it is difficult to determine whether it is as a result of Covid or the new Brexit arrangements. Social Services residential homes, care providers and Education services have not reported any issues relating to food, medicine and other supplies. The Council's IT Provider (Shared Resource Service) have identified supply issues relating to IT equipment such as laptops. However, major IT manufacturers have been struggling to keep up with demand due to the pandemic and there is a delay in the supply of key microchips.

Regulatory Services and Environmental Health – The Council's Regulatory Service have appointed an officer who is contacting businesses in Newport establishing if they require any support with Covid and Brexit compliance. Environmental Health Food Safety team are now fully trained to undertake EU Health Certificate checks. Civil Contingencies and Regulatory Services have not identified any issues with Newport Port.

Education – Education Services have agreed to provide free school meals to children that have no recourse to public funds.

Community Cohesion / EUSS – Community Cohesion officers continue to engage with EU Citizens and community leaders encouraging the uptake of the EU Settled Status application before 30th June 2021. Food Poverty work continues and are offering small grants to Newport Food organisations to support households impacted by Covid and Brexit. The work of Community Cohesion officers is also focusing on post-Brexit rights and access to key services in the City.

The Council will also be receiving additional funding in 2021/22 to support communities with Food Poverty with additional emphasis on providing Housing and debt advice / support.

The council are aware of a growing number of EU and non-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.

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.

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 3 of 2020/21 the Brexit risk score decreased to 12 reflecting the new trade agreement but also the uncertainty of short to medium term impacts on the economy, EU Citizens and new regulatory requirements. The Quarter 3 risk update will be presented to Cabinet in March 2021.

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
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 still 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 as part of the considerations of uses for the projected 2020/21 revenue budget underspend and further one-off funding that the 2021/22 new budget will also generate, the Head of Finance recommends that these, in part, are set aside for the Brexit / Covid residual risks in the short term. As the risk stabilises with time, any unused provision/reserve can then be re-allocated into other priorities. More details on this will be made in the 2020/21 revenue budget outturn and 2021/22 new budget reports to Cabinet.

Officers will continue to explore the possibilities of accessing the various grants that are being made available to public bodies in supporting the potential impact of the new arrangements.

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. Despite the non-imposition of tariffs and quotas, additional port health checks will be required in terms of certifying compliance with new Regulations. Environmental Health officers have now been trained to undertake import and export food health certificate checks, and this will have significant resource implications once the port activity increases. Local business advice and support is also being provided in relation to Brexit compliance. The UK Shared Prosperity Fund and the implementation of the Internal Markets legislation will have implications in terms of public sector contracts and procurement and also equivalent state-aid, fair competition requirements.

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.

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: 7 April 2021

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

Theme	Progress of Activity completed by Newport Council to 1 st April 2021
Your Organisation (Communications)	<p>We have been sharing communications from the Council and Welsh Government on EUSS, Business support and providing services to EU residents in the city. The Council's internal communications team will also be sharing further information on EUSS and post Brexit rights.</p>
Your Organisation (Finance and Funding)	<p>The Council's Finance team are monitoring the impact that the new arrangement will have on the delivery of Council services and major capital projects. 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. The Council will be considering the prospectuses of the Shared Prosperity Fund and Levelling Up Fund to support key projects in Newport.</p>
Supplies and Services (including social services and ICT)	<ul style="list-style-type: none"> • Since the new trade arrangements came into place, no significant issues have been reported by service areas in relation to the supply chain as a result of the new trade arrangements. • Some areas of the Council have noted price increases in the purchasing of goods and services but it is difficult to determine whether it is as a result of Covid or the new Brexit arrangements. • Social Services residential homes and care providers and Education services have not reported any issues relating to food, medicine and other supplies. • The Council's IT Provider (Shared Resource Service) have identified supply issues relating to IT equipment such as laptops. However, major IT manufacturers have been struggling to keep up with demand due to the pandemic and there is a delay in the supply of key microchips.
Security / Data Protection arrangements	<ul style="list-style-type: none"> • The Council's IT provider SRS have necessary virus protection and firewalls in place and continuously monitoring threats to its systems. • Information Commissioner's Office have confirmed EU Data Flow arrangements have been extended for 6 months. NCC audit of key IT suppliers and arrangements have not identified any such arrangements in place.
Supplies and Services (Regulatory Services)	<ul style="list-style-type: none"> • The Council's Regulatory Service have appointed an officer who is contacting businesses in Newport establishing if they require any support with Covid and Brexit compliance. • Enquiries are being received by the team. • Animal feed imports have been received at the port and their surveillance has increased since EU Exit. • Environmental Health Food Safety team are now fully trained to undertake EU Health Certificate checks.
Local Community (Civil Contingencies)	<ul style="list-style-type: none"> • Civil Contingencies and Regulatory Services have not identified any issues with Newport Port. • No issues have been identified since the transition impacting on Civil contingencies in Newport but the team will continue to monitor these.
Local Community (Community Cohesion) <ul style="list-style-type: none"> • EU Settled Status / EU communities • Food Poverty • Homelessness (EU Citizens) 	<ul style="list-style-type: none"> • Community Cohesion officers continue to engage with EU Citizens and community leaders encouraging the uptake of the EU Settled Status application before 30th June 2021. • Post Brexit rights webinar has been held in March and further engagement work will be undertaken to encourage EU Citizens to apply.

Theme	Progress of Activity completed by Newport Council to 1 st April 2021
<ul style="list-style-type: none"> • Community cohesion 	<ul style="list-style-type: none"> • Food Poverty work continues and are offering small grants to Newport Food organisations to support households impacted by Covid and Brexit. • Newport Council will be receiving new funding from April 2021 to support more food poverty work and providing housing / debt advice. • The work of Community Cohesion officers is also focusing on post-Brexit rights and access to key services in the City. • The council are aware of a growing number of EU and non-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. • Education have confirmed that children that are in NRPF families will have access to free school meals. • 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.