

Report

Cabinet

Part 1

Date: 11 November 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 October 2020.

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Ward All

Summary The trade negotiations between the UK Government and European Union have reached a critical point in the process where it is now looking likely that the UK will be leaving the European Union (EU) including its Customs Union and Single Market without a trade agreement in place on 31st December 2020. For Wales and Newport, this will mean that businesses that import and export to the EU will have to comply with new trade requirements and may include tariffs on certain goods and services. For consumers (residents) living in Newport this could impact on prices and supplies of goods and services including certain products of food and medicines. New arrangements for travelling into and out of Europe will also be in place including passports, insurance, driving documents etc. For EU Citizens already living in Wales before the 1st January 2021 they will need to ensure that they apply for Settled Status by the 30th June 2021. Current right to work eligibility remains in place until 30th June 2021 and employers cannot require evidence of settled status during this period. EU citizens not already resident in the UK who wish to relocate to Wales after 1st January 2021 will need to apply for a Visa.

Since the last Cabinet Meeting, the Council has been awaiting the outcome(s) of the negotiations and release of guidance documents from the UK Government departments to apply the necessary changes and understand the necessary requirements from the 1st January.

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

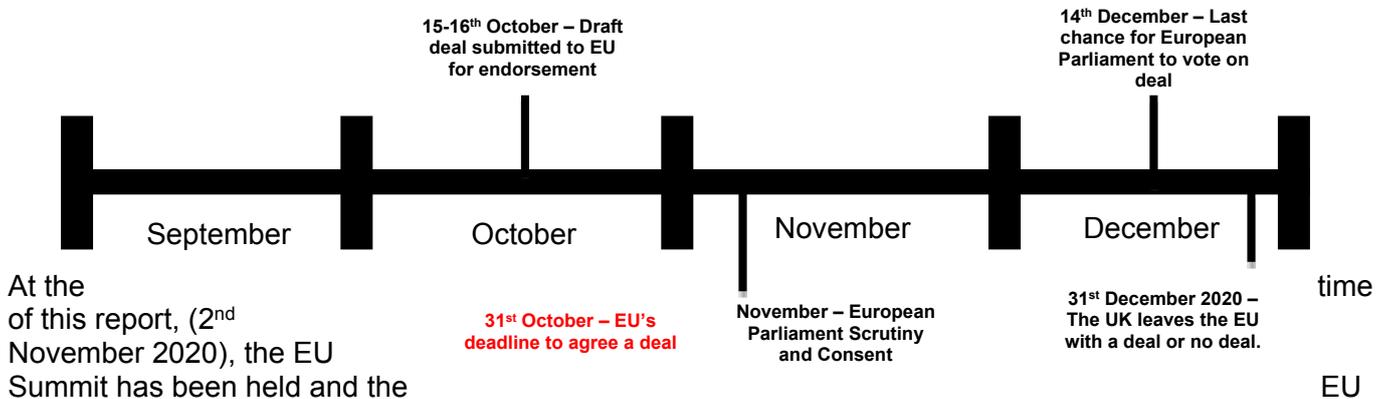
This report was prepared after consultation with:

- 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. 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 November 2020, there is less than one month. The timeline for the ongoing negotiations are:



At the of this report, (2nd November 2020), the EU Summit has been held and the acknowledged the gap between the UKG and the EU to agree a deal. The UKG is aiming to agree a similar arrangement to Canada but both sides of the negotiation have cited issues relating to fisheries, governance and state aid to businesses that require further discussions. Additionally the UKG has warned businesses and consumers to expect the UK to have an Australian trade arrangement that effectively falls back onto World Trade Organisation arrangements. The UK has signed a trade deal with Japan and is also negotiating trade agreements with the US, Australia, and New Zealand. However, the EU trade negotiations are still continuing past the 31st October deadline.

For Wales and the other devolved nations, UKG has introduced the Internal Market Bill which sets out rules for the operation of the UK internal market. As reported in October's Cabinet meeting, the Bill allows greater freedom for the Welsh Government to setting policy but there are also concerns raised by Welsh Government for the UKG to have the power deliver large infrastructure projects in Wales without the agreement of the Welsh Government. The [MS Counsel General and Minister for European Transition, Jeremy Miles](#) has also written to the Lord Speaker outlining the concerns of Welsh Government in relation to the UK Internal Market Bill.

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.

As cited 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. For businesses, it is particularly challenging to implement Covid secure arrangements and it is widely acknowledged that there are many businesses that are not fully prepared for the changes beyond 1st January whether this is the meeting new trade arrangements, supply chain management and workforce planning. 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. The Council's own Economic Development team continue to inform and signpost businesses to these websites for further support and are engaging with key businesses to understand their ongoing risks, issues and concerns.

For EU Citizens living in Wales and Newport, there is ongoing promotional work being undertaken by the Council and its partners to encourage uptake of the EU Settlement Scheme and assure EU Citizens that

they are welcome to live and work in Wales. This work will be ongoing right up to the deadline of 30th June 2021 and EU Citizens have to be living in the UK by 31st December 2020 to be eligible to apply. From the 1st January 2021, the new Immigration system will be implemented and EU Citizens have to meet the requirements of this new system. All final details of this new system will be subject to the final agreements made by UKG and EU.

The Council's Brexit Task & Finish group continues to monitor the ongoing situation and notifications in changes to regulatory requirements. Since the last report in October, there has not been significant developments across all of the areas covered in appendix A as we await for finalisation of the guidance and information to be released from Welsh Government and UK Government departments. The Brexit Task & Finish Group will be meeting at the start of November to assess the position of the Council and understand the final outcomes of the trade negotiations and their impact(s) on the three core areas of the Organisation; supplies and services; communities; and the economy. The focus of these areas are also taking into consideration the impacts of Covid-19 measures. 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 partnership 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 including Environmental Health 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. Work has recently included the launch of a radio campaign on Capital Radio, running until the deadline, positive communications via the council's social media platforms, and targeted work with children who are looked after, to ensure their immigration rights are protected.

Current right to work eligibility remains in place until 30th June 2021 and employers cannot require evidence of settled status during this period. EU citizens not already resident in the UK who wish to relocate to Wales after 1st January 2021 will need to apply for a Visa.

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. To ensure that good practice established during Covid-19 is continued, the council is leading a Foodbank Working Group, engaging all foodbanks across Newport to better provide vulnerable residents with joined up, targeted support.

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?
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 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 increased with the possibility of the UK leaving the European Union, and its Customs Union and Single Market, on 31st December 2020 without any trade agreement in place. However, 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.

There is no impact on the existing workforce as Home Office guidance confirms that retrospective checks on settled status are not required. The employment of new starters 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. However it should also be noted that during the grace period of 1st January to 30th June 2021 existing right to work checks are permitted.

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

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

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

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

Dated: November 2020

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

Theme	Progress of Activity completed by Newport Council to 31 st October 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</p>

Theme	Progress of Activity completed by Newport Council to 31 st October 2020
	protection for such threats. Legislation and regulation will continue to be monitored in 2020 as the UK negotiates future trade relationships.
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 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. Regular newsletters are sent out with advice on available funding and also signposting to the government website for further guidance and updated information.
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)	During Covid-19 the Council's Community Cohesion Officer has been in contact virtually with EU Communities, supporting residents with Covid-19 issues, hate crime and Brexit related issues. A dedicated padlet site has been established to share messages in community languages and signpost to appropriate services. There has been an amplification of community tensions blaming some communities for the spread of Covid and this continues to be monitored closely.
Local Community (EU Settled Status)	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. Monmouthshire and Newport's funding has been combined to a total of £22k (provided as part of a shared service). 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 funding can be utilised appropriately.
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.

Theme	Progress of Activity completed by Newport Council to 31 st October 2020
	This funding has been committed to the development of a Welcome to Newport App, a project delivered in partnership with Newport's Software Academy and Cardiff University.