

Report

Cabinet



Part 1

Date: 10 March 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 22nd February 2021, the UK has been out of the European Union (EU) and Single Market for nine weeks. The UK and EU are trading under a new tariff free trade arrangement which now requires UK and EU traders to undertake increased paperwork to comply with the new requirements.

There is also the end of free movement of people between the UK and EU. This now means that anyone wishing to move to the UK from Europe has to complete necessary Visa requirements.

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. This has seen many businesses in the UK reporting delays and disruptions at depots (rather than the ports) in having to complete the documentation and has in some instances seen goods failing to be delivered either in the UK or EU.

The Welsh ports have also reported a decrease in the number of vehicles from the EU and Ireland travelling through the UK to reach their destination with new ferry routes being set up to enable direct travel from Ireland to mainland Europe. It is still unknown whether this will be a short term solution or will remain in place for the foreseeable future.

There remains many legislative areas that still require frameworks to be established as the UK has moved away from the EU arrangements. Key areas for example, include the UK Shared Prosperity Fund that will replace EU social and structural funding that Newport and the South East region has benefited from in the past. The UK Government is also consulting on a new Subsidy Control Regime that will ensure the UK maintains its commitments to fairness on Government Subsidies across the Devolved nations and comply with the new Trade arrangements / World Trade Organisation rules. The UK Government is also intending to offer support for a place-based approach for regional development and establishment of a 'levelling up' fund for local areas to seek support in delivery of local infrastructure investment. Newport Council will be contributing towards the Welsh Local Government Association response to the consultation. It is anticipated that further announcements will be reported by the UK Government in its budget. 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.

For EU citizens already living and working in the UK prior to the 31st December 2020 it is now imperative for citizens to apply for settled status before 30th June 2021. It will be important for EU Citizens to ensure that they complete their applications. Throughout the last 24 months and during Covid, the Council has been working with multi-agency partners and community groups to support EU citizens that have been impacted by Brexit and Covid. Now that the UK has fully left the EU emerging issues have been brought to the Council's attention. Many of these issues are being raised to Welsh Government and UK Government attention. Some of the areas highlighted include:

- Businesses (Nationally) not being fully aware of the requirements when employing EU citizens that have *Settled* or *Pre-settled* status resulting in reports of people being refused jobs.
- Increase in the number of complex cases, families with multiple circumstances and statuses;
- The need to ensure EU Citizens, Public Services and businesses understand and know post Brexit rights and entitlements. This includes how people can access and use their 'digital certificates'.
- Increasing number of people facing hardship and/or destitution with no recourse to access public funds and also removal of Universal Credit based on reviews triggered by a change in status;

- Communities reporting that they are 'giving up' on the process due to the application process; and
- Reports of growth of hostility towards EU Citizens but also UK Government policies not being compatible with its promise to ensure people will be allowed to remain.

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.

From January, the UK has allowed Hong Kong residents to apply for Visas to live, work and study in the UK as part of the UK Government response to the ongoing China / Hong Kong issues around democratic freedoms. 2.9 million people in Hong Kong, with 1.5 million dependents, are eligible to apply for a 5 year visa route, with more residents able to apply for a 30 month visa scheme, or enter the UK via the asylum route. It is likely that Newport, as a dispersal area, and with established migrant support services, will see arrivals beginning in the next few months. Hong Kong citizens settling in the UK under the new visa scheme will not have recourse to public funds, which is likely to result in longer term demands on statutory support. The Brexit Task and Finish group will continue to consider these risks, and the Council has established a separate Task and Finish group engaging relevant officers and community members to consider and put in place measures to support Hong Kong residents settling in Newport.

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

Communication – Newport Council's Communications team have been using social media (Twitter / Facebook) to promote the EU Settled Status and also for businesses links to the UK and Welsh Government guidance on the new rules. The Council's dedicated webpage is also regularly updated with local information and signposts to appropriate national guidance.

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. For the one European funded programme (Inspire to Achieve) which is delivered across South East Wales this will continue until the project closes in December 2023. In the meantime the Council will await the outcome(s) of the Shared Prosperity Fund between Welsh Government and UK Government and any replacement programme that will come into place to ensure the region and City continued to be supported.

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.

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 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 at time of writing 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.

The report here details what financial provisions currently exist and include additional budget cover for social care commissioning costs and the Councils general revenue budget contingency.

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: 3 March 2021

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

Theme	Progress of Activity completed by Newport Council to 28 th February 2021
Your Organisation (Communications)	Newport Council's Communications team have been using social media (Twitter / Facebook) to promote the EU Settled Status and also for businesses links to the UK and Welsh Government guidance on the new rules. The Council's Brexit webpage is monitored and updated with all necessary information and signposting to Welsh and UK Government sites.
Your Organisation (Finance and Funding)	<ul style="list-style-type: none"> • 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. • For the one European funded programme (Inspire to Achieve) which is delivered across South East Wales this will continue until the project closes in December 2023. In the meantime the Council will await the outcome(s) of the Shared Prosperity Fund between Welsh Government and UK Government.
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.

Theme	Progress of Activity completed by Newport Council to 28 th February 2021
<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"> • 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 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.