

Corporate Governance Committee

25/11/20

Corporate Risk 6.1 – EU Transition – If a formal trade agreement between the UK and EU is not in place at the end of the transition period, the UK will be treated by the EU as a third country. Trade arrangements will differ, and goods will be subject to full third country controls and a variety of border checks.

Civil Contingencies Act 2004

- As a Category 1 responder under the CCA 2004, the County Council is responsible for ensuring that it mitigates the impact of disruption to its services on residents and the communities it serves.
- Under the Act, the Authority is also responsible for working in multi-agency partnership with other responders. This is delivered through the Local Resilience Forum (LRF) for Leicester, Leicestershire and Rutland, also known as LLR Prepared.

Current Context

- The EU Exit Transition Period ends on 31st December 2020.
- UK/ EU negotiations ongoing regarding detailed arrangements from 1st January 2021.
- Three stage border planning exit process (see next slide)
- Reasonable worst case scenario document issued by Government in October.
- The LRF has set up a Strategic Co-ordinating Group (SCG) which is overseeing preparations for all winter issues (including Covid19 and EU Exit). Risks relating to concurrent incidents this winter have been exercised by the LRF, and plans and preparations revised and updated to take account of lessons learnt.
- An LRF EU Exit Group has also been established with full County Council involvement.
- Within the Council the Chief Executive chairs a Crisis Management Group overseeing all winter issues. A corporate County Council EU Exit Group (chaired by the Assistant Chief Executive) is meeting.
- Cabinet considered and noted an EU Exit update on 20th November.

Border Planning exit stages

- From Jan 2021: Traders importing standard goods (from clothes to electronics) need to prepare for basic customs requirements, incl. keeping records of imported goods, and will have up to six months to complete customs declarations. There will be checks on controlled goods like alcohol and tobacco. Businesses will need to consider how they account for VAT on imported goods. There will also be physical checks at the point of destination or other approved premises on all high risk live animals and plants.
- From Apr 2021: All products of animal origin (POAO) – for example meat, pet food, honey, milk or egg products – and all regulated plants and plant products will require pre-notification and the relevant health documentation.
- From July 2021: Traders moving all goods will make declarations at the point of importation and pay relevant tariffs. Full Safety and Security declarations required, while for SPS commodities there will be increase in physical checks and the taking of samples: checks for animals, plants and their products will take place at GB Border Control Posts.

LRF Preparations

- Through developing a Strategic Risk Overview the LRF has identified these as the highest risks for the area:
 - Impact on health and social care services
 - Staffing
 - Medicine and medical equipment supply chain
 - Business continuity for local businesses
- Active workstreams identified in the LRF Response Plan:
 - communications
 - transport issues
 - port health and trading standards activity at EMA
 - business support
 - monitoring of impacts
- A Tactical Co-ordinating Group (TCG) reporting to the SCG is managing the detailed preparations for, and response to, identified risks.

National Reasonable Worse Case Scenario

- A set of planning assumptions. Not an extreme or absolute worst case scenario, or the most likely scenario. A common, stretching scenario for all stakeholders to plan against.
- The assumptions have informed local planning and include:
 - delays on EU-bound trucks of a maximum of two days that could affect traffic in the east of the County;
 - impacts on the supply of medicines and medical supplies;
 - increases in food and energy prices which could affect the financially vulnerable;
 - potential Adult Social Care provider failure due to increased costs for small providers;
 - risk of protest and counter protests draining police resources.

Key Risks for the County Council

Highest risk areas for County Council:

- Traffic disruption at East Midlands Airport.
- Adult social care provider failure
- Adult social care staffing and medical supplies

Transport impacts

- Risk of disruption to the road network within five miles of East Midlands Airport is considered lower than in late 2019, due to reductions in passenger numbers as a result of Covid-19, and to seasonal reductions in passengers and freight at this time of year.
- Reduced risks identified by the Airport and freight operators. Commercial arrangements in place for off-site parking and IT introduced systems to manage border crossings and avoid long queues at border controls. ∞
- Current plans focus on installing signs and associated equipment to support appropriate traffic movement. Anticipated cost: £45,000. Discussions underway on cost-sharing. (Cost of previous 2019 plan was c£1.6m).

Social Care impacts

- EU Exit brings increased risk to already fragile care market, which is susceptible to provider failure due to current impact of Covid-19.
- Risks relate to EU nationals leaving the sector, recruiting new staff, and accessing medical devices and clinical consumables.
- On staffing the situation is being monitored, targeted recruitment activity will take place, workforce development strategy being prepared.
- On medical supplies DHSC is using the National Supply Disruption Response service (NSDR) to mitigate any disruption to the supply of medical devices and clinical consumables, including PPE. What is not clear is whether this work extends into social care.
- Any increase in the costs of supply and workforce at this time could lead to uneconomic provision and further undermine provider viability.

Border Controls/Trading Standards impacts

- EU Exit is likely to create new responsibilities for, and demands on, the Council's Trading Standards service.
- A new regulatory framework from 1st Jan 2021 will have an impact on the demand for compliance advice and enforcement.
- Also likely to be an increased flow of unsafe, illegal, and illicit products as legislation, regulation changes and border controls focus more on avoiding disruption rather than checks for safety and compliance. Associated economic pressures also create market conditions for rogue traders' malpractices to grow.
- Pressures being assessed and existing workforce priorities redefined to focus on new pressures (both Covid19 and EU Exit)

Legal Services impacts

- There will be additional pressures on the Council's Legal Services team, including through:
 - the need to provide advice to Trading Standards on regulatory changes concerning product safety, food safety and labelling, and consumer protection and enforcement;
 - advice needed in relation to workplace rights and rights to work, data use, and public sector procurement rule changes;
 - a possible increase in age-related dispute litigation regarding asylum claims, and child protection reciprocal enforcement issues regarding custody of children with dual UK/EU country nationality.
 - The legal services management team will monitor and plan for the work and will redeploy staff and/or engage temporary staff if required.

Business Readiness and Economic Impacts

- The LLEP, Federation of Small Businesses and East Midlands Chamber, have undertaken significant engagement with businesses regarding the direct and indirect impact of EU Exit. Evidence suggests that businesses are not as well prepared as they need to be for the range of changes expected from 1st January. Further targeted engagement planned for remainder of 2020.
- An Economic Recovery Cell, set up by the LRF to coordinate a multi-agency response to the Covid-19 pandemic, is also focusing on the impact of EU Exit.
- A Business Recovery Strategy, led by the LLEP, will identify interventions and opportunities for key sectors and businesses arising from both Covid19 and EU Exit.
- Work is advanced in developing a series of County Council economic recovery measures which will respond to the impacts of both Covid-19 and EU Exit.

Financial Impacts

- Not predicted to be as substantial as the costs anticipated by the Authority 12 months ago, particularly due to the lower cost of managing traffic at and near East Midlands Airport.
- If there are negative impacts on the economy this would reduce funding from local sources, for example Council Tax and commercial income, and Government allocations, from a reduced tax take. There could also be increased demands for support services if household income falls as a result of an economic slowdown.
- Longer term implications for the Council are likely to centre around the financial impact of new import regulations, such as tariffs, and the availability of goods, services and a suitable workforce. The actual impact will only be clear after businesses and individuals understand what is changing and have reacted to it.

Next steps

- Outcome of EU/ UK negotiations being monitored
- Risks and plans will be updated as more clarity emerges
- LRF and LCC EU Exit Groups will continue to meet and frequency will be stepped up as needed.
- Daily meetings of the LRF Group diarised from 1/1/21 to manage initial impacts of the end of the Transition Period.
- Impacts of later stages of EU Exit (eg border planning stages 2 and 3) will be prepared for, and focus will gradually move to recovery, especially economic recovery.