

Meeting of:	<b>Cabinet</b>
Date of Meeting:	<b>Monday, 30 November 2020</b>
Relevant Scrutiny Committee:	All Scrutiny Committees
Report Title:	Brexit – Current Position & Preparedness Update
Purpose of Report:	To provide a briefing on the current UK position on Brexit and its potential implications and risks to the Council. To present an action plan for the Council outlining the key actions required in preparation for Brexit and the end of the transition period.
Report Owner:	Executive Leader and Cabinet Member for Performance and Resources
Responsible Officer:	Rob Thomas, Managing Director
Elected Member and Officer Consultation:	This report applies to the whole authority. It is recommended that this report be shared with all Elected Members, Town and Community Councils and the Public Service Board following consideration by Cabinet. Consultation has been undertaken with the Strategic Leadership Team (that includes Directors) and all Heads of Service.
Policy Framework:	This is a matter for Executive decision by Cabinet.
<p><b>Executive Summary:</b></p> <p>This report sets out the current position on Brexit as at 16th November and outlines the potential implications associated with the next phase of the UK's departure from the European Union. The report takes into account different trade outcome scenarios, flags new/emerging risk areas associated with Brexit and proposes some preparatory actions (contained in an Action Plan) to address these identified risk areas.</p> <p>The end of the transition period will bring significant changes to our future trading relationships with both our European counterparts and the rest of the World and will impact on EU citizen's rights to move to the UK and will see new restrictions on travel.</p> <p>From January 2021, Freedom of Movement will come to an end. The EU Settled Status Scheme (EUSS scheme) has been established as the process in the UK whereby EU citizens can apply for settled status/pre-settled status. To be eligible to apply all EU citizens must reside in the UK before the 31st December 2020 deadline. Any EU citizen that enters the UK after this point would need to follow the UK's Immigration Policy that will be introduced from January 2021.</p>	

From the 1st January 2021, the UK will be leaving the EU's Single Market and Customs Union and will instead need to pursue its own independent trade policy which will see the introduction of a new set of customs arrangements and regulatory controls.

Until recently, trade negotiations between the UK and EU had stalled due to a lack of agreement over key issues such as governance, fisheries and 'level play field arrangements'<sup>1</sup>. The implications of a trade versus no trade scenario are explored in this report.

Considering the current status of the Brexit negotiations and the potential implications, these have for the UK, the Council, our citizens and wider community, an analysis of risk areas has been undertaken. The risk areas have been categorised as internal (potential risks to the Council and its ability to fulfil its functions and statutory duties) or external (potential risks to our communities, businesses, local economy and citizens). Each risk area has been assessed based on its likelihood and impact in order to give it a risk score and have also be graded in terms of the level of internal control/influence the Council has over the issues.

This analysis of risk areas has been used to inform and refresh the Brexit Impact Assessment Action Plan.

This report seeks Cabinet's consideration of the Brexit position as outlined in the body of the report and the endorsement of the actions contained with the Brexit Impact Assessment Action Plan for implementation. It is intended that this action plan be regularly monitored by Cabinet as well as by the Strategic Leadership Team (SLT) and the Insight Board. If approved, the actions contained within the action plan will be incorporated into the Corporate Risk Register's Risk Management Plan on Brexit for monitoring via Audit Committee and Cabinet.

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<sup>1</sup> Refers to a set of common rules and standards by which countries can operate by to prevent businesses in one country undercutting their rivals in another country.

## **Recommendations**

- 1.** That Cabinet notes the current Brexit position as detailed in this report and appendices, and that the findings from this be reflected in the Council's Corporate Risk Register.
- 2.** That, subject to recommendation one, Cabinet refers this report to Audit Committee for their consideration as supplementary information to inform the quarter two update of the Corporate Risk Register.
- 3.** That Cabinet endorses the proposed actions outlined in the Brexit Impact Assessment Action Plan (**Appendix F**) for inclusion in the Council's Corporate Risk Register and the associated Brexit Risk Management Plan.
- 4.** That Cabinet endorses the proposed approach for managing and monitoring the preparatory work for Brexit via the Corporate Risk Register.
- 5.** That Cabinet Members endorse that Insight and the Strategic Leadership Team (SLT) continue to monitor the Brexit situation and that Cabinet endorse the sharing of this report with all Elected Members, Town and Community Councils and the Public Service Board.

## **Reasons for Recommendations**

- 1.** To ensure that Cabinet Members are kept informed on the current position on Brexit and the potential implications and risks it presents to the Council and to ensure that these risks are reflected in the corporate risk on Brexit.
- 2.** To ensure that the Audit Committee receives a timely update on the position of Brexit to consider alongside their quarterly review of the Corporate Risk Register.
- 3.** To ensure that the refreshed Brexit Action Plan is agreed to support the Council's preparations for the next phase of Brexit and to ensure that these actions are also incorporated into the Corporate Risk Register and the relevant Risk Management Plan.
- 4.** To ensure that an effective mechanism is put in place for regular and timely monitoring of progress to Cabinet and to make sure that this approach dovetails with our existing risk management processes.
- 5.** To ensure that there is effective strategic oversight and monitoring of the Brexit Impact Assessment Action Plan by Officers and that all Elected Members, Town and Community Councillors and the Public Service Board are kept informed of the current position on Brexit and are aware of the preparatory work underway.

## **1. Background**

- 1.1** In May 2019, the Council considered its response to Brexit by undertaking an assessment of its potential impact on our organisation and local communities.
- 1.2** Initially a response was submitted to Audit Wales in terms of our readiness work, which included a series of discussions at Insight Board to formulate an Impact Assessment and a presentation to the Strategic Leadership Team (SLT) and Cabinet by the Welsh Local Government Association (WLGA).
- 1.3** It was agreed via SLT that there was the need to put in place planning for Brexit that considers the uncertainties associated with it.

### **Brexit Risk Themes and Impact on Service Areas**

- 1.4** Preparations for Brexit are closely aligned to Business Continuity. Initially, the key focus was to review all Business Continuity Plans for Priority 1 services. This work was completed in January 2019. However, in light of the COVID-19 crisis, it became clear that this work needed to be revisited.
- 1.5** To inform the updates to Priority One Business Continuity Plans, work was undertaken on a range of Brexit scenarios. The Home Office and Local Resilience Forums in Wales have used a series of risks to support their understanding of the potential implications of Brexit and how this could impact on service delivery. The Council reviewed these risks and identified eight that are applicable from the Council's perspective.
- 1.6** The eight risks are as follows:
  - i. Water supply infrastructure (failure of water infrastructure or loss of drinking water).
  - ii. Food supply contamination (a major contamination incident).
  - iii. Fuel (including gas) disruption.
  - iv. Supplies disruption (including medicines, materials, goods and services – including those from other public services organisations).
  - v. Food shortages/food supply disruption.
  - vi. Public safety and community cohesion/tension.
  - vii. Workforce disruption (our internal workforce as well as those we contract with).
  - viii. Communications (telecommunications and digital) disruption.
- 1.7** Each Head of Service was asked to complete an assessment of how these risks may impact on their service areas and the potential actions that would be required. From these individual service-based impact assessments an overarching impact assessment was developed and framed around the 8 risks

highlighted above. The key themes addressed within the action plan included:

- Food contamination issues
- Food poverty
- Assurance of supply chains and ensuring sufficiency of supplies
- Procurement
- EU funded programmes
- Readiness of businesses/contractors for Brexit
- Refresh of Fuel Plans and review of priority 1 workers
- Agile/home working
- Communications internally and externally on Brexit
- Workforce-impact on recruitment, EU Settled Status (EUSS) Scheme
- Community leadership-including awareness of EUSS, community cohesion
- Data flows

**1.8** The Brexit Impact Assessment Action Plan was last reviewed by SLT in November 2019. As per the last update, of the actions originally contained within the action plan, an update was available for 27 actions. Of these 27 actions, 20 had been completed and 7 remained in progress. Further work was undertaken within service areas following SLT's review.

**1.9** Over the last 9 months, much of the Council's focus has been on co-ordinating the emergency response to the pandemic to ensure continuity of services whilst safeguarding our staff, citizens and communities. Consequently, preparatory work on Brexit was not progressed as planned. However, as the end of the transition period approaches, it is the opportune time to take stock of the current Brexit situation and to revisit the Action Plan.

**1.10** In order to define what actions should be prioritised over the coming months leading up to the end of the transition period and beyond, it will be essential that the action plan is reviewed in light of the 8 risks as recognised by the Home Office and Local Resilience Forums, the current Brexit position in the UK and the identification of new/emerging risk factors associated with Brexit.

**1.11** This report sets out the current position on Brexit as at 16th November and outlines potential implications associated with Brexit (taking into account different trade outcome scenarios), flags new/emerging risk areas associated with Brexit and proposes some preparatory actions (contained in an Impact Assessment Action Plan) to address these identified risk areas. This report by its nature has been drawn from a range of sources and information. Given the fluidity of the situation the council is planning at a time when there is a

significant degree of uncertainty and so our activity will need to adapt as the position regarding Brexit becomes clearer.

## 2. Key Issues for Consideration

### Post Brexit – Current Position

- 2.1 The UK left the European Union on the 31st January 2020 under a negotiated exit deal (Withdrawal Agreement). The transition period that followed maintains most of our pre-departure arrangements up until the 31st December 2020.
- 2.2 The Withdrawal Agreement with the EU outlines the UK's arrangements for leaving the EU and in particular contains a protocol (Article 4) on Northern Ireland (that has now become an international treaty)<sup>2</sup>. Article 4 of the Agreement sets out that the treaty has a legal precedence over any of the UK's domestic law<sup>2</sup>. The overarching aim of the protocol was initially to avoid seeing a return of a 'hard' border between Northern Ireland and the Republic of Ireland emerge. It was agreed initially that neither the UK or EU wanted to see the return of checks at the border and other regulations<sup>2</sup>. To overcome this a solution outlined in the treaty was that Northern Ireland stays in the EU single market for goods/supplies which will be different to the rest of the UK. Under the protocol, goods moved from Northern Ireland to the rest of the UK will need to fill out export declaration forms and it will also require the UK to follow EU rules on state aid (financial support governments give to businesses) for any goods relating to Northern Ireland. The protocol also outlines how a joint committee will need to determine which goods moved from the UK to Northern Ireland are potentially 'at risk' of being exported to the EU (Republic of Ireland) where tariffs would then apply. If no agreement is reached on this, the default will be for tariffs to be applied to all goods<sup>2</sup>.
- 2.3 More recently, the UK Government introduced the Internal Market Bill to the House of Commons on the 9th September 2020<sup>3</sup>. The Government outlines that the purpose of this Bill is to prevent the emergence of any new barriers to businesses trading across the UK to support the functioning of the new UK internal market at the end of the transition period<sup>2</sup>. However, the Internal Market Bill is controversial as it has the potential to override parts of the UK's Brexit withdrawal agreement and in particular the protocol relating to Northern Ireland.
- 2.4 Our relationship with the EU throughout the negotiation process has been turbulent and even more so with the proposed Internal Market Bill. The EU have viewed this Bill as a breach of international law and have begun to pursue legal

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<sup>2</sup> [Brexit: Why is the Internal Market Bill ruffling feathers?](#) BBC News Article, accessed on 12th November 2020

<sup>3</sup> [UK Internal Market Bill](#), Institute for Government accessed on 12th November 2020.

action against the UK.<sup>4</sup> The Bill has also drawn criticism from the devolved nations (Wales and Scotland) as well as factions within government. Despite passing all Commons stages by the end of September, the Bill was defeated in the House of Lords on the 10th November where peers voted to remove clauses of the Bill that would enable Ministers to break the treaty (international law) and in particular the Northern Ireland Protocol<sup>5</sup>. The Government have indicated they intend to re-table the clauses at a later date when the Bill returns to the Commons<sup>4</sup> (anticipated to be end November/December)<sup>6</sup>.

**2.5** Amidst the uncertainty of the Brexit negotiations has been the much-awaited results from the US election. Joe Biden has been projected to exceed the 270 electoral college votes required to become President<sup>7</sup>. Although the votes still require certification and ratification, it has been widely acknowledged that Joe Biden is the new President Elect who will assume office from 20th January 2021. The new President Elect has the potential to influence the Brexit position. Previously, Joe Biden has indicated publicly that he is not in favour of the UK leaving the UK without a trade deal<sup>8</sup>. In a telephone call with the Prime Minister, Boris Johnson on 10th November, Joe Biden outlined the importance of 'implementing Brexit in such a way that upholds the Good Friday Agreement'<sup>9</sup>. This provides an indication to Joe Biden's stance on Brexit negotiations and in particular the Northern Ireland protocol. It is still too early to understand any potential impact on negotiations, but it is likely to influence discourse on progressing a trade deal with the US and has the potential to influence the outcome of trade negotiations with the EU.

**2.6** The end of the transition period will bring significant changes to our future trading relationships with both our European counterparts and the rest of the World and will impact on EU citizen's rights to move to the UK and will see new restrictions around travel. Outlined below is an overview of the current position associated with freedom of movement and the trade negotiations.

### **Freedom of Movement**

**2.7** From January 2021, Freedom of Movement will come to an end. It will mean EU citizens will no longer have the automatic right to move to the UK and similarly UK citizens will no longer have the right to move and settle in other EU countries.

**2.8** The EU Settled Status Scheme (EUSS scheme) has been established as the process in the UK whereby EU citizens can apply for settled status/pre-settled

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<sup>4</sup> [EU launches legal action against UK over controversial Brexit Bill](#), Euro News article accessed on 22nd October 2020

<sup>5</sup> [Brexit: Government's bill suffers heavy House of Lords defeat](#), BBC news article accessed on 12th November 2020.

<sup>6</sup> [UK Internal Market Bill](#), Institute for Government accessed on 12th November 2020.

<sup>7</sup> [US Election 2020](#), BBC News accessed on 12th November 2020

<sup>8</sup> [US election: What a Biden presidency means for the UK](#), BBC news article accessed on 12th November 2020.

<sup>9</sup> [Joe Biden warns Boris Johnson not to let Brexit upend Northern Ireland peace process](#), Financial Times article accessed on 12th November 2020.

status. To be eligible to apply all EU citizens must reside in the UK before the 31st December 2020 deadline. Any EU citizen that enters the UK after this point would need to follow the UK's Immigration Policy that will be introduced from January 2021. However, any EU, EEA and Swiss citizen who resides in the UK before the December deadline has until June 2021 to apply for settled status via the EUSS scheme.

- 2.9** The latest ONS estimates for the Vale of Glamorgan indicate there are approximately 3,000 EU, EEA or Swiss Citizens that reside in the county (as at December 2019). The most recent Home Office data on applications via the EUSS scheme suggested that there have been 1,230 EUSS applications made up until the end of August 2020. This would suggest over half of all estimated eligible citizens in the Vale of Glamorgan have not already applied for settled status.
- 2.10** The Council has been granted Welsh Government funding by the WLGA to raise awareness of the EUSS scheme to support people to apply. The funding is being used on (virtual) events, communication, marketing and for extending ID scanning centres. To date the Council has purchased ID scanning equipment to be able to offer an identification verification services via Registrars, so applicants can complete one stage of the application process and so alleviating the need to send off ID papers and documents. However, since this service was launched at the end of 2019, take up of this service has been low. The pandemic has further compounded issues, as due to lockdown restrictions the Registrars service are now faced with a backlog of birth registrations and marriage notifications.
- 2.11** Current COVID-related restrictions have also impeded our ability to undertake our usual forms of engagement to raise awareness and promote the EUSS scheme. This has also limited the capacity of key partners such as the Citizens Advice Bureau (CAB) to offer advice and support. Up until the pandemic CAB were offering free face to face contacts with the public to support them in making applications. Much of this service now has reverted to over the phone or online support, which for some individuals creates another barrier. Newfields Law have been commissioned by the Welsh Government to provide free and tailored information and application support and tend to specialise in more complex case work. EU citizens can contact Newfields Law themselves or via referral from another agency. Although Newfields Law have been able to continue to offer specialist advice and support during the pandemic, this has been scaled back as engagement events have not been possible.
- 2.12** The Policy and Business Transformation Team is adapting its approach to the promotion of the EUSS scheme where the focus will be on engaging via digital means. This will see the implementation of a new advertising campaign to promote the scheme and to signpost to support via our usual digital channels. We will also seek share messages with respective partners to ensure that messages can be widely disseminated across communities. We will also look to refresh communications with staff to highlight the importance of applying and equally we will be looking to engage with our business community, suppliers and

Third Sector organisations to further promote the EUSS scheme and to signpost them to further information/support.

## Trade Negotiations

- 2.13** From the 1st January 2021, the UK will be leaving the EU's Single Market and Customs Union and will instead need to pursue its own independent trade policy which will see the introduction of a new set of customs arrangements and regulatory controls.
- 2.14** Until recently, trade negotiations between the UK and EU had stalled due to a lack of agreement over key issues such as governance, fisheries and level play field arrangements<sup>10</sup>. An EU summit held on 15th October did not yield any further developments to this situation, where the conclusions agreed at the summit were to 'continue negotiations'. Talks between the UK Government and EU have since resumed in London (on 22nd October), with further talks planned in Brussels.
- 2.15** Although negotiations remain ongoing, without a potential agreement, the UK will need to prepare for 'No Deal' trade scenario. In the absence of any free trade agreement, the UK and EU will revert to the World Trade Organisation (WTO) arrangements that will see the introduction of tariffs and bureaucracy on both sides.
- 2.16** Throughout the negotiation process, the Welsh Government have made it clear that the UK Government's position on Brexit is at odds with its own priorities for Wales as outlined in their White Paper, [The Future UK/EU Relationship: Negotiating Priorities for Wales](#). In recognition that the ongoing negotiations have not yet resulted in a trade deal agreement, the Welsh Government have published its [End of Transition Action Plan 2020](#) that outlines the actions the Welsh Government are taking in preparation for the next phases of Brexit.
- 2.17** Grant Thornton were recently commissioned by the WLGA to explore the impact of Brexit on trade in Wales (**Appendix A**). To complement this report, Grant Thornton have also produced a Brexit Dashboard of data and findings specific to each Local Authority. **Appendix B** shows the dashboard relating to the Vale of Glamorgan Council. To supplement the findings of this work and support Local Authorities in their preparation for Brexit, a Brexit Readiness Toolkit: Preparing for 2021 has been produced (**Appendix C**).
- 2.18** Grant Thornton's initial findings indicate that the EU is the UK's largest trading partner, representing over 50% of all trade. In 2019, Wales exported £17.8bn worth of goods to the EU, representing 5.1% of all UK exports (£347.8bn)<sup>11</sup>.

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<sup>10</sup> Refers to a set of common rules and standards by which countries can operate by to prevent businesses in one country undercutting their rivals in another country.

<sup>11</sup> Appendix A: Grant Thornton, The Impact of Brexit on Trade in Wales Report 13<sup>th</sup> November 2020

Economies reliant on manufacturing, aerospace, agriculture and tourism are perceived to be most at risk and it is known that the impact of COVID is further compounding difficulties in these sectors. Initial modelling from Grant Thornton indicates that Cardiff and Vale of Glamorgan is less likely to be impacted, as its economy is more public service focused with one in four employee jobs in education, health and social care sectors.

**2.19** Grant Thornton's Brexit Dashboard for the Vale of Glamorgan (**Appendix B**) indicates that it has Wales' highest ranking Gross Value Added per filled job of £53,406, which provides some indication of the valuable economic contribution made by citizens. The dashboard also shows that the Vale of Glamorgan is in the bottom 20% in terms of its community vulnerability score to Brexit when compared to the rest of Wales, which indicates very low levels of social vulnerability to Brexit due to the higher levels of income, lower deprivation and relatively low levels of unemployment. ONS data for the Vale of Glamorgan indicates that employment is predominately within the service sector, representing 83.2% of employment<sup>12</sup>. This sector is made up of a broad range of areas that includes the education profession, health and social care and public administration, which makes up 35% of employment in the Vale. Wholesale/retail trade, repair of motor vehicles/cycles makes up 12.5% of employment and accommodation and food services (hospitality) employ 10% of the Vale's population<sup>13</sup>. The production sector employs 8.2% of those living in the Vale of Glamorgan, with 7.5% being employed within manufacturing<sup>14</sup> (one of the most vulnerable industries post-transition).

**2.20** Whilst this data implies the Vale of Glamorgan is less impacted when compared to the rest of Wales, the findings from the Grant Thornton study have shown that the Vale is not immune to the combined effects of Brexit and COVID-19. The Grant Thornton report highlights that service-based economies such as those in the Vale of Glamorgan maybe more susceptible, due to Brexit, to impacts on services, flows of people and data and as a consequence are more likely to see an impact on their service exports rather than goods exports<sup>15</sup>. Although the Grant Thornton's study did not model the impact of service exports, ONS data shows that service exports make up a valuable part of the Welsh economy. ONS estimates show that the total value service exports to the Welsh economy was £8.3billion in 2017<sup>16</sup>. Grant Thornton forecasts that Brexit has the potential to negatively impact on service exports along with goods exports as a result of changes to the regulations and standards, which could impact on flows of people and data and put organisations under additional financial burdens in order to

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<sup>12</sup> ONS data reported in [The Economic Impact of COVID-19 in the Vale of Glamorgan](#)

<sup>13</sup> ONS data reported in [The Economic Impact of COVID-19 in the Vale of Glamorgan](#)

<sup>14</sup> ONS data reported in [The Economic Impact of COVID-19 in the Vale of Glamorgan](#)

<sup>15</sup> Appendix A: Grant Thornton. The Impact of Brexit on Trade in Wales Report, 13<sup>th</sup> November 2020.

<sup>16</sup> ONS: [International exports of services from subnational areas of the UK: 2017](#).

comply with new rules/regulations<sup>17</sup>. In addition to this, Grant Thornton’s Brexit Dashboard estimates that the Vale of Glamorgan could be subject to a 15.2% decline in its annual GVA as a result of COVID-19. This combined with the economic uncertainty associated with Brexit has the potential to damage our economic prosperity post transition. The findings from the Grant Thornton work have informed the risk analysis described below and the toolkit has influenced the development of the Brexit Impact Assessment Action Plan described later in this report.

**2.21** Under current transition arrangements the UK continues to benefit from reduced trade costs between the UK and EU. However, if a deal or no deal is reached regarding trade arrangements there are several implications to consider, as outlined below:

<b>No deal trade (UK trades with EU on World Trade Organisation (WTO) terms and there is limited roll over of EU Free Trade Agreements)</b>	<b>Deal made (UK agrees trade deal with EU)</b>
Impact on tariffs, as it will revert to WTO trade arrangements. Tariffs are likely to have a significant impact on businesses selling their goods to the EU. For example, cars would be taxed by 10% with some agricultural tariffs higher such as 90% for lamb products exported to the EU <sup>18</sup> .	Trade deal could still result in a change to tariffs and how they are applied. Tariffs and quotas may still apply. But if a trade deal is made it is in the interest of both parties to seek ways to avoid high tariffs.
Customs declarations will be more costly and any failure to reach a deal could impede our ability to simplify procedures. EU is planning on full customs checks from January.	Customs declarations could be more costly.
UK imposed tariffs on imported goods to protect UK producers could lead to price rises for the consumer for some EU goods.	Trade deal could still see a rise in consumer prices due to the additional regulatory/customs costs.
Modelling <sup>17</sup> by Grant Thornton estimates a 19% fall in annual exports in Wales equivalent to £3.5bn of lost exports <sup>19</sup> .	Modelling <sup>20</sup> by Grant Thornton estimates a 6% fall in annual exports equivalent to £1.1bn of lost exports <sup>16</sup> . This modelling is based on the UK agreeing a trade deal with

<sup>17</sup> Appendix A: Grant Thornton. The Impact of Brexit on Trade in Wales Report, 13<sup>th</sup> November 2020

<sup>18</sup> [Brexit trade talks: What is the difference between a deal and a no deal?](#) Euro News Article accessed on 22<sup>nd</sup> October 2020

<sup>19</sup> Appendix A: Grant Thornton, The impact of Brexit on Trade in Wales Report 13<sup>th</sup> November 2020.

<sup>20</sup> Modelling methodology based on the ‘Gravity Model’, which models the impact on trade (import and/or exports) as a widely accepted tool for trade modelling in policy and academic analysis. This model has also been previously used by the HM Treasury as part of their assessments.

<b>No deal trade (UK trades with EU on World Trade Organisation (WTO) terms and there is limited roll over of EU Free Trade Agreements)</b>	<b>Deal made (UK agrees trade deal with EU)</b>
	the EU to remove all tariff barriers to trade and UK rolls over majority of EU Free Trade Agreements.
Businesses will be required to prepare for new trading arrangements following the end of the transition period.	Businesses will be required to make same level of preparations for new trading arrangements following the end of the transition period as would be needed as part of a no deal scenario. Even if the removal of tariffs is agreed as part of any deal, non-tariff barriers and paperwork will still be applicable.
Service sectors operating in UK and Europe likely to see additional costs as a result of additional administrative requirements/bureaucracy. UK service companies operating in the EU would need to meet the EU's 'third country' requirements to set up in Europe. Business trips may become more costly with any need for visas.	
Grant Thornton have estimated that 27,700 jobs could be lost as a consequence of a no trade deal scenario being reached <sup>21</sup> .	It is estimated that even with a slim trade deal 8,800 jobs in Wales could be at risk <sup>22</sup> .
Failure to reach a deal could impact on our data sharing agreement with the EU, should they consider our data arrangements to not be adequate, resulting in additional administration costs to businesses and disruption to data flows. Unless the EU rules the UK's data protection system to be adequate, it could make data sharing between the UK and EU far more difficult.	A deal could lead to a mutual agreement on data sharing and could result in a reduction in costs.
UK financial services will only be granted access to EU market on basis of 'equivalence' giving it the same status of regulatory recognition as US companies. This would be applicable to both a deal and no deal trade scenario. An 'equivalence' decision can be	

<sup>21</sup> Appendix A: Grant Thornton. The Impact of Brexit on Trade in Wales Report. 13<sup>th</sup> November 2020.

<sup>22</sup> Appendix A: Grant Thornton. The Impact of Brexit on Trade in Wales Report. 13<sup>th</sup> November 2020

<b>No deal trade (UK trades with EU on World Trade Organisation (WTO) terms and there is limited roll over of EU Free Trade Agreements)</b>	<b>Deal made (UK agrees trade deal with EU)</b>
withdrawn by EU Commission in a short period of time (as little as 30 days). However, it is recognised by EU that granting equivalence is vital to maintaining financial stability.	
Two different customs and regulatory regimes will bring additional bureaucracy and introduce border checks for standards and legal compliance that will be applicable to both a deal or a no trade deal scenario. Non-tariff barriers e.g. product standards, safety regulations and sanitary checks on food and animals could lead to delays/disruption to supply chain. Sectors such as the car industry, pharmaceuticals and food that are reliant on the operation of just in time supply chains could be impacted more severely by any disruption. Even with a deal, some non-tariff barriers may still apply. This has the potential to create some supply chain disruption.	
Concerns relating to the availability of a European workforce. Very much dependent on numbers that decide to maintain settled status in the UK via the EUSS scheme and dependent on immigration policy approach that will be introduced in January 2021.	

**2.22** The information sources used to inform the above analysis are:

- Euro News Article: [Brexit Trade Talks-What is the difference between a deal and a no deal?](#)
- Euro News Article: [No deal Brexit: Everything you need to know](#)
- Euro News Article: [Post-Brexit Guide: Where are we now-and how did we get here?](#)
- Telegraph Article: [What no-deal Brexit means, how it might happen and how it might affect daily life in the UK](#), accessed 22nd October 2020.

### Emerging risk areas

**2.23** An analysis of potential/emerging risk areas considering the current Brexit position has been undertaken. Risk areas have been either categorised as internal (potential risks to the Council and its ability to fulfil its functions and statutory duties) or external (potential risks to our communities, businesses, local economy and citizens). Each risk area has been assessed based on its likelihood and impact in order to give it a risk score and have also be graded in terms of the level of internal control/influence the Council has over the issues.

**2.24** **Appendix D** sets out the internal risk analysis. **Appendix E** sets out the external risk analysis.

**2.25** Given the fluidity of the Brexit situation (with negotiations between the UK and EU continuing to evolve), there is a chance that a deal could be agreed by the time this report is presented to Cabinet. If this is the case, a supplementary note will be provided to Cabinet with the latest position. Any deal is unlikely to change the focus of any mitigating actions to address areas of risk, but could affect the degree to which the risk has an impact on the Council.

- 2.26** The risk analysis has been informed by discussions with officers and SLT to ensure that it provides a reflection of the potential impact Brexit could have on Council and Vale of Glamorgan. The current Brexit position, the analysis of risk areas, and Grant Thornton’s Brexit Toolkit have been used to inform and refresh the Brexit Impact Assessment Action Plan (**Appendix F**). Since the risk themes identified in the original action plan continue to be relevant to the current situation, the same format was built upon to include additional actions that now reflect the new and emerging issues around Brexit that need to be addressed. The risk analysis was also used in order to determine areas where specific actions may be required. The identification of new mitigations/actions based on the risks where the Council has a medium to high level of control and score medium to high in terms of their risk status have been priorities. For those risk areas where the Authority has a limited level of influence over the risk and pose a low level of risk to the Council, the view has been taken that these should be acknowledged as risks but that these do not necessarily require further mitigation through the action plan.
- 2.27** The refreshed **Brexit Impact Assessment Action Plan (Appendix F)** combines actions identified in the original action plan alongside some proposed new actions aligned to the risk analysis (shown above). The action plan shows actions with progress made to date and identifies those actions that have already been completed. Proposed new actions have also been clearly identified in the action plan to address the emerging risk areas where we have identified the need for further mitigation.
- 2.28** Subject to Cabinet approval, this action plan will form the basis for monitoring our progress in preparing for Brexit and the end of the transition period. It is intended that the action plan will be incorporated into our Corporate Risk Management Framework to enable the monitoring of these actions/mitigations through the Brexit Risk Management Plan. Dovetailing this with our risk management processes will enable us to manage, monitor and review the risks associated with Brexit in more robust and joined up way. The actions contained in the Risk Management Plan for Brexit will continue to be monitored through the Risk Register to Audit Committee and Cabinet. There will also be regular monitoring of the mitigations contained within the Action Plan by SLT and the Insight Board with a further update report to Cabinet in due course.

### **3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

- 3.1** Managing the Council’s approach to Brexit is central to preparing for its impact and implications and for managing the risks. Brexit has the potential to not only impact on how we deliver our services and functions post transition, but it could also impact on our delivery of the Corporate Plan and our Well-being objectives.

- 3.2** Identifying and assessing the multi-faceted aspects of risk associated with Brexit will be vital to understanding the potential impact it could have on the Council's services and functions.
- 3.3** In order to effectively prepare for Brexit in a managed way, the development of Brexit Impact Assessment Action Plan enables the Council to identify the key mitigations/action required in order to mitigate the potential risks arising from Brexit. The risk mitigating actions outlined in the Action Plan have been devised with the five ways of working in mind to ensure that our focus remains on the long term, prevention, integration, collaboration and involvement. It is intended that these mitigating actions will also be incorporated into the Brexit Risk Management Plan, so that monitoring can be dovetailed with our corporate risk management processes.

## **4. Resources and Legal Considerations**

### **Financial**

- 4.1** The full financial impact of Brexit is still unknown. Effective management and reduction of risks associated with Brexit has the potential to alleviate some of the financial risks. Although the outcome of the trade negotiations is out of our control, the areas we do have some control over are mitigations where we can better understand where there are potential cost pressures on our budgets as a consequence of any price rises in fuel, goods and supplies post transition.
- 4.2** In order to support the Council in its preparations for Brexit, Welsh Government funding has been accessed via the WLGA to support EU transition preparations and planning, EUSS scheme awareness and promotion, Export Health Certification as well as Food Poverty funding.

### **Employment**

- 4.3** Brexit has the potential to result in a loss of staff from our workforce who are from EU countries. This could impact on the Council's operational capacity to deliver its services and functions. The Council has taken steps to promote the EUSS scheme widely to staff, and within our own workforce it is felt this is less of a risk. However, there is uncertainty regarding the impact Brexit could have on the workforce of our social care providers that we contract with.

### **Legal (Including Equalities)**

- 4.4** Post transition we are likely to see a significant change in our legal framework that has the potential to impact on how we undertake our regulatory role, how we procure goods and services and it will also govern how we can share and access data with the EU.

## **5. Background Papers**

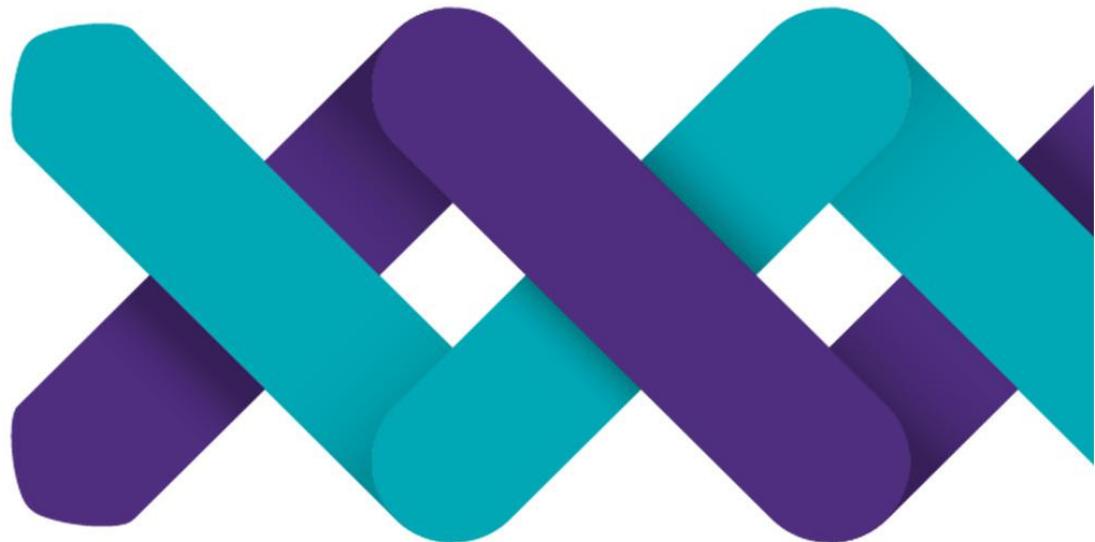
Brexit Transition: New Rules for 2021- [Preparing Local Government for 1st January 2021](#)  
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# The impact of the EU transition on trade in Wales

Final Report

November 2020





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Dear Tim,

## Brexit Transition Support Programme – Trade analysis

We have pleasure in enclosing a copy of our report in accordance with your instructions dated 30 July 2020. This document (the **Report**) has been prepared by Grant Thornton UK LLP (**Grant Thornton**) for The Welsh Local Government Association (the **Addressee**) in connection with analysis into the implications of a Free Trade Agreement and a no trade deal World Trade Organisation outcome on trade flows in Wales (the **Purpose**).

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For your convenience, the Report may have been made available to you in electronic as well as hard copy format, multiple copies and versions of the Report may therefore exist in different media and in the case of any discrepancy the final signed hard copy should be regarded as definitive.

## General

The Report is issued on the understanding that the management of the WLGA have drawn our attention to all matters, financial or otherwise, of which they are aware which may have an impact on our Report up to the date of signature of this Report. Events and circumstances occurring after the date of our Report will, in due course, render our Report out of date and, accordingly, we will not accept a duty of care nor assume a responsibility for decisions and actions which are based upon such an out of date Report. Additionally, we have no responsibility to update this Report for events and circumstances occurring after this date.

## Contacts

If there are any matters upon which you require clarification or further information please contact Rob Turner on +44 (0)20 7728 2741 or Cordelia Canning on +44 (0)20 7728 2702

Yours faithfully

Grant Thornton UK LLP

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## Issue History

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# 1 Introduction

The European Union (EU) is Wales' largest trading partner, accounting for 61% of all goods exports in 2019. It is a dependency that is notably greater than the United Kingdom (UK) as a whole where the EU only accounted for 48% of all exports. Therefore, when the UK leaves the Single Market and the Customs Union on the 31st December 2020 this trading relationship will change. It is a change that will bring with it a number of economic and social impacts. In the short term it will result in a range of new tariff and non-tariff barriers, while over the longer term it will change trade flows and in doing so affect a number of different economic outcomes.

The purpose of this report is to support Welsh Local Authorities in navigating some of this change by drawing on quantitative and qualitative data around the scale and nature of the trade impacts that could result under both a 'Deal' and 'No Deal' scenario.

The focus of this report centres around the impact on goods exports and the potential consequences for businesses.

To do this, the report analyses the impacts upon the traceable exports of goods that move out of Welsh ports.

Alongside these goods exports there will also be service exports. While these have not been modelled (due to data limitations at the required geographic granularity), it is necessary at the outset to recognise the importance of service exports to the Welsh economy, with the Office for National Statistics (ONS) estimating the total value of service exports to the Welsh economy at £7.4bn in 2018<sup>1</sup>. It is estimated that the majority of Welsh service exports are exported to Non-EU countries accounting for 59% of service exports in 2018. The EU transition is expected to have a negative impact on service exports along with goods exports through the change in regulations, standards, etc that could significantly hinder the flows of people and data as well as placing additional financial burden on organisations in order to comply with differing regulation which could range from the need to develop new contracts with differing clauses through to the need to consider setting up a physical presence within the EU.

In addition to exports, there will also be an impact on the volume of imports into Wales, although these have not been the focus of this report, primarily because there is a lack of suitably robust data in terms of country of origin coverage, time series and sector to enable us to robustly model the impacts..

The report does not attempt, nor intend, to replace or replicate the broad suite of policy and academic research in relation to trade. Rather, it seeks to provide localised insight to specifically support Welsh Local Authorities in prioritising their activities and actions in order to best mitigate risks and maximise opportunities.

The next chapter sets out the methodology we have followed in developing this report before providing a high-level overview of the relevant policy and geographic context. Next, the report sets out the findings from our econometric modelling and stakeholder consultations before concluding with a suite of implications and actions for local authorities to consider.

We would like to formally record our thanks for all those who gave up their time and who provided contributions to this work. It is very much appreciated, particularly given all of the additional pressures resulting from COVID-19.

<sup>1</sup> 'International exports of services from subnational areas of the UK: 2018' (2020)

# 2 Methodology

## 1 Introduction

Our approach to this work was based on two core components: econometric modelling and stakeholder consultation. Informed by a scoping and data review at the outset of the project, these two separate – but inter-related – components have provided a rich source of evidence. Before presenting these findings we set out below a high-level overview of our methodological approach.

## 2 Econometric modelling

Our approach to the econometric modelling has been guided by a HM-Treasury Paper<sup>2</sup> that applied a ‘Gravity Model’ approach to estimating the impact of the EU transition under various scenarios upon UK trade. This HM-Treasury paper found that a Free Trade Agreement (FTA) between the European Union (EU) and United Kingdom (UK) could reduce UK trade by 18%. Given the level of acceptance for using a gravity model approach for trade analysis from economic literature, a list of literature reviewed can be seen in Appendix A, and HM-Treasury’s adoption of the approach, Grant Thornton assessed a gravity model as being the most appropriate methodology to suitably understand the export effect of operating under a ‘No Deal’ or ‘Deal’ scenario for Wales.

A gravity model assesses the relationship between the size of an economy, the value of trade (imports and/or exports) and the distance between the source country and the recipient country. Through these measures, the gravity model highlights the relationship between the size of the economy and trade value (imports and/or exports).

It also examines the relationship between trade and distance, typically the distance is inversely related to the level of trade conducted so the greater the distance between countries, the lower the level of trade. It can be assumed that the level of transport costs is a potential explanation for this inverse relationship, as the further the export partner the higher the expected transport costs resulting in an inverse relationship. A full description of the workings and purpose of ‘Gravity Models’ can be found from the Office for Budget Responsibility (OBR)<sup>3</sup>.

Grant Thornton reviewed academic and policy papers to develop the most appropriate gravity model for the task of assessing exports from Wales. The following equation was then adopted.

### Econometrics equation 1

$$\ln(Y_{ij}) = \beta_0 + \beta_1 \ln(\text{GDP}_{ij}) + \beta_2 \ln(\text{Pop}_{ij}) + \beta_3 \ln(\text{DIST}_{ij}) + \beta_6 \text{EU-NonEU}_{ij} + \beta_7 \text{EU-EU}_{ij} + \beta_8 \text{FTA}_{ij} + \mu_{ij}$$

**Note:** EU-NonEU, EU-EU and FTA variables are dummy variables. All variables in Logarithmic terms will show the relative change in the data series values and not the absolute value change.

Where:

$Y_{ij}$  = Export value between source and recipient country;

$\text{GDP}_{ij}$  = Gross Domestic Product (GDP) of source and destination country;

$\text{POP}_{ij}$  = Population of source and destination country;

<sup>2</sup> ‘The Long-Term Economic Impact of EU membership and the alternatives’ (2016)

<sup>3</sup> Brexit and the OBR’s forecasts (2018)

$DIST_{ij}$  = Distance between source and destination country;

$EU-NonEU_{ij}$  = Dummy variable showing either the source or recipient country is a EU member;

$EU-EU_{ij}$  = Dummy variable where both the source and recipient country are members of the EU; and

$FTA_{ij}$  = Dummy variable showing if source or recipient country operates under a FTA with the EU.

The above econometric equation represents the 'gravity model' proposed by Grant Thornton to estimate the trade impacts. The majority of variables included in the equation have been expressed in logarithmic terms ( $\ln$ ), which will show the relative change in the data series rather than the absolute value change. Additionally, the  $EU-Non-EU$ ,  $EU-EU$  and  $FTA$  variables included are constructed dummy variables which represent the specific countries relationship between the source ( $i$ ) and recipient country ( $j$ ) in any given year.

Once the equation has been solved, each variable will display a coefficient ( $\beta$ ) which represents the relationship and interaction between itself, trade and the other variables. All coefficients ( $\beta$ ) have been numbered differently to highlight their distinctive variable and their interaction. Whereas the variable  $\beta_0$  represents the constant or intercept of the regression. The variable  $\mu_{ij}$  represents the error term of the regression and represents the margin of error, capturing the unpredictable effects.

Data was collected for a cohort of 41 countries – the current 28 members of the EU as well as a selection of non-EU countries with whom the UK are currently undertaking trade negotiations (e.g. New Zealand, Australia, USA, etc.) – covering the years 2015 to 2018. In total, a sample size of around 6,600 observations (which included 41 country pairs for the years 2015 to 2018) formed the basis for the econometric analysis.

Goods export data was sourced from the UN COMTRADE database for each year and country. The UN COMTRADE data provides a profile of exports by country for the past 58 years, with data being available by Standard International Trade Classification (SITC) grouping. The goods export data contained within the UN COMTRADE database is reported in US Dollars (\$) and formed the backbone of the analysis conducted. It was deemed most appropriate to examine the export of goods given the impact a potential 'Deal' or 'No Deal' will have on ports, as service exports will be less. Other data points are:

- GDP data for each country and year, with prices being in US (\$) Dollars Purchasing Price Parity from OECD;
- Population data for each country and year from OECD; and
- Distances between countries.

### 3 Consultations

While the econometric modelling provided the foundations for this assignment, there was awareness from the outset that econometric models can only tell 'part of the story' and therefore a series of stakeholder consultations were undertaken. The aim of these was to explore perceptions of the issues and challenges on the ground, in relation to leaving the EU and trade, and to help – by drawing on specific expertise – contextualise the findings. In total 22 consultations were undertaken involving 28 individuals between August to November 2020 across the following types of organisation:

- Welsh local authorities (9 individuals)
- Port/airport authorities (8 individuals)
- Sector bodies (7 individuals)
- Businesses (4 individuals)

A full list of these organisations can be found in Appendix B.

Each consultation was conducted via video call given the current restrictions in place as a result of COVID-19 and lasted between 45 minutes and one hour on average. Notes of the interviews were taken during the meeting and participants were assured at the outset of the confidential nature of the interviews. Therefore, in order to retain anonymity we deliberately have not provided direct quotations. Our view was that given the geographical and sector focus of individual consultees anonymous quotes could still be attributable to particular organisations if not individuals.

The first round of consultations was with the local authorities and took place during the months of August and September. A semi-structured topic guide was used to guide the conversation, covering questions relating to the nature of the local port/airport, its role in the local economy, risks/opportunities from the EU transition related to trade (and more generally) and views on other related policy issues such as Freeports, border control points and the Northern Ireland Protocol. These consultations also provided an opportunity to gather contact details for key personnel at the different port/airport authorities.

Please see Appendix C for a copy of the local authorities Topic Guide.

Consultations with the port/airport authorities largely took place during October. Like the local authority consultations these were guided by a semi-structured topic guide covering a range of topics including the nature of the port, the main type of goods and the flow of goods once they leave the port, the role the port plays in the local economy, the impact of 'Brexit', views on issues such as the Northern Ireland protocol and Freeports and what support could help to mitigate risks. .

Please see Appendix C for a copy of the port authorities Topic Guide.

During October, and informed by the emerging outputs from the gravity model, we also undertook consultations with relevant sector bodies including:

- Make UK - manufacturing
- Steel UK
- Food and Drinks Federation
- Aerospace Technology Institute
- Welsh Automotive Forum

These consultations – again guided by a semi-structured topic guide – focused more on specific sectoral risks and opportunities, the extent to which Wales was more or less exposed than the rest of the UK and the added risks caused by Covid-19. Alongside this the consultations also covered how prepared businesses were and how this might vary between different types of business, what would help them to prepare better and what support would best help. Consultees were also asked about the Northern Ireland protocol and Freeports.

Please see Appendix C for a copy of the sector bodies and businesses Topic Guide.

Due to the timing of the work and the extensive impacts of COVID-19 it has been difficult to engage with businesses directly. The original intention had been to survey businesses, however due to the global pandemic and the resulting pressure businesses were facing it was agreed with the WLGA not to do this. Therefore, the perspective of business has been largely informed by the relevant sector body. We were however able to consult directly with three businesses in early November.

## 4 Wider feedback

Alongside the consultations, emerging findings from the modelling and analysis were also presented and discussed in three forums:

- with a group comprising key officers from the Welsh Local Government Association (WLGA) and Welsh Government;
- the Local Government (EU) Preparedness Advisory Panel; and
- the WLGA Brexit Coordinators.

Through the discussion of the findings and the questions asked these meetings provided valuable feedback and helped to shape the project and the nature of this report. For example, this included providing different geographical cuts of the modelling results; or ensuring that the report focused on the key findings and actions that local authorities can take in response to the challenges acknowledging the limited time and capacity available between now and the 31 December 2020.

## 5 Analysis and synthesis

Analysis and synthesis occurred as the interviews took place with time dedicated after the interview process for the final analysis. In analysing and synthesising the findings from the stakeholder research process, four elements were considered.

### Synthesis

To synthesise the different evidence emerging from the interviews and feedback from the different presentations of the interim findings we identified a series of themes that were emerging from the responses. This approach enabled us to identify recurrent themes and patterns in the responses and any major variance between stakeholders. It also enabled us to provide a sense of scale around the findings i.e. 'the majority of stakeholders were of the opinion that...', 'the general consensus is...' etc.

In addition to noting how widely shared a view was, as far as possible, we also reflected on how strongly held a particular view was. Similarly, we noted how important interviewees' thought an issue was. This was important because for some points while there was widespread agreement on an issue the interviewees' did not see it as important. Conversely, there were instances where there was agreement that an issue was important but there were different views about it (eg border control points).

### Triangulation

In synthesising the results we continually looked to triangulate the findings between different stakeholders. The greater the level of triangulation, the more weight we were able to place on the evidence.

In addition to triangulating the findings between different stakeholders, we also sought to set the findings in the context of other knowledge, research and indeed government guidance around trade and the EU transition.

### Variance

Alongside the process of triangulation, we also reflected on the level of variance between stakeholders. Variance was not necessarily seen as a positive or negative, but it did need to be acknowledged, either in highlighting strong consensus or caveating findings.

### Quality

Throughout the analysis we also considered the 'weight' that can be placed on each finding. This quality assessment was made on the basis of:

- **Transparency** – was there a vested interest in making a particular point?
- **Accuracy** – Is what we have been told well grounded?
- **Corroboration** – Are other stakeholders saying the same things?
- **Relevance** – Was the point made in relation to this specific line of enquiry
- **Credibility** – How well placed is the respondent to comment?

# 3 Geographical and policy context

## 1 Introduction

Alongside the methodological approach it is also important to briefly set out the geographical and policy contexts. This is by no means an exhaustive survey, but rather a short summary of some of the key contextual issues that are important in shaping both the findings and the implications presented in this report.

## 2 The geographical context

### Access to national and international markets

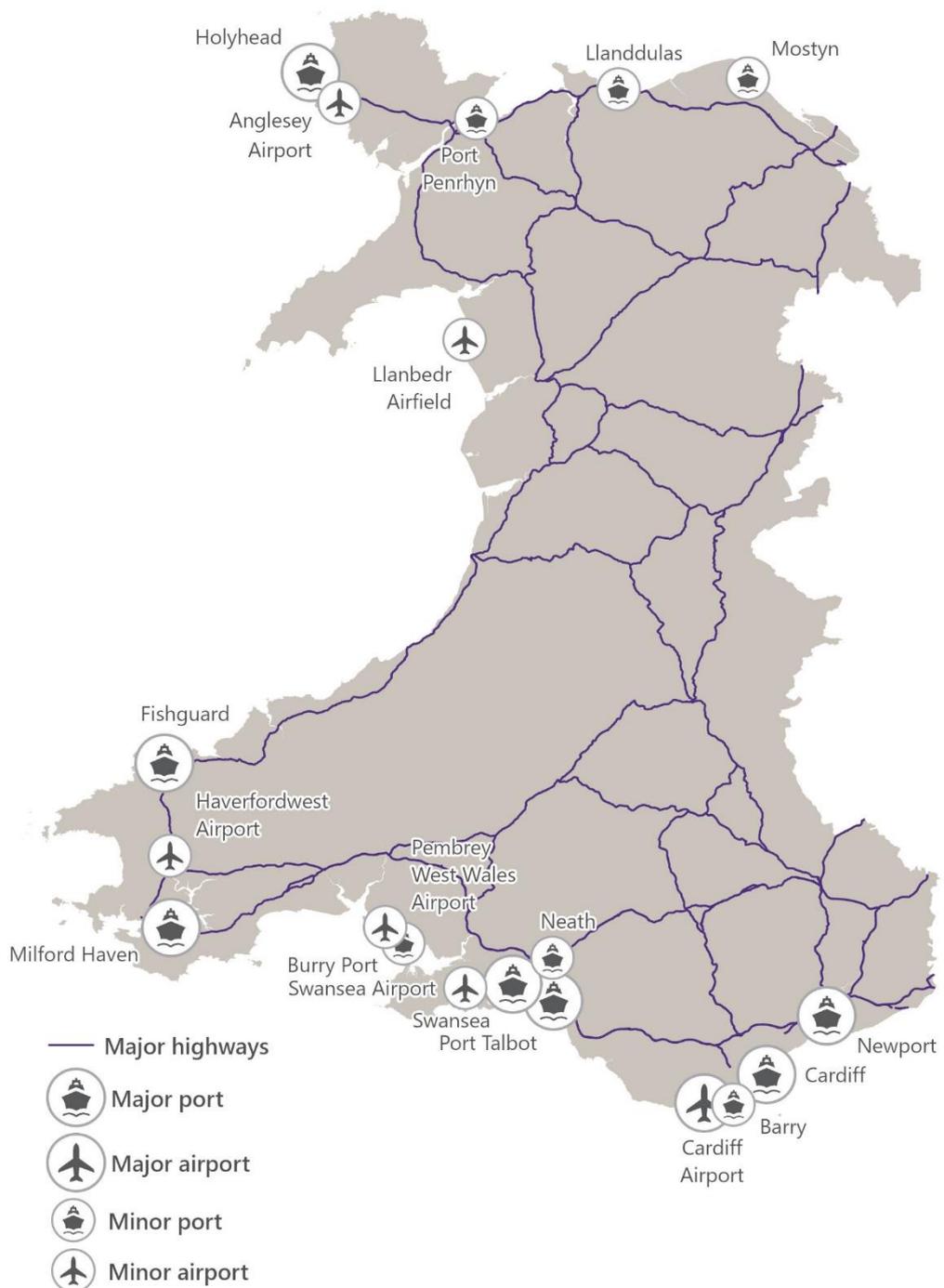
Wales acts as a key land bridge between the UK, Ireland, and continental Europe, providing easy access for both intra- and international trade. It is estimated that 36% of unitised exports to EU continental ports transit from Ireland via the UK land bridge<sup>4</sup>. This geographical context is fundamental to many of the potential opportunities and impacts that leaving the EU may have on the country's trade.

In addition to hosting strong economies across Wales itself, the proximity of Welsh populations to key English hubs makes it an attractive region of the UK for residents and businesses alike. Cardiff, as the Welsh capital, is served by its own international airport with connections to key European cities, as well as being within 2 hours of London Heathrow for further travel to the rest of the world. The north and mid Wales regions also benefit from their proximity to large urban areas and international connection points such as Birmingham, Liverpool, and Manchester.

The network of road and rail connecting Wales to England and the rest of the UK has provided free movement of people and goods for centuries, while the air and sea ports provide further access to international economies and act as crucial nodes for international trade. This network of roads, airports and ports can be seen in Figure 1.

<sup>4</sup> The Implication of Brexit on the use of the Land bridge, Irish Maritime Development Office, 2018

**Figure 1 Welsh transport network**



Source: Grant Thornton

## Welsh Ports

Welsh ports in particular act as a crucial connection for freight and passenger movement. Figure 1, shows that the Welsh coastline hosts seven major ports (Holyhead, Fishguard, Milford Haven, Swansea, Port Talbot, Cardiff and Newport), in addition to numerous smaller ports. Collectively, Welsh ports saw a total of 49,100 tonnes of freight traffic in 2018<sup>5</sup>, the latest available data. Of the traffic at major ports 84% was foreign traffic, with 60.1% being foreign imports.

<sup>5</sup> statswales.gov.wales/Catalogue/Transport/Sea

While each port plays a unique role in its local economy, the Centre for Economic and Business Research split the activities of Welsh ports broadly into three categories<sup>6</sup>:

- **Ports industry and steel** – recognised as a strategically important industry for many supply chains, particularly in south Wales and Port Talbot the steel industry remains an important sector in terms of exports and employment. Wider ports industry activities include activities such as warehousing, storage, and other freight transport.
- **Marine renewable energy production** - the Irish and Celtic Seas offer opportunities for off-shore wind farms and renewable energy turbines. Ports in the north of Wales, for example the Port of Mostyn, are key locations for this sector in addition to south-west ports such as Pembroke Dock, which was recently granted £60 million for the Pembroke Dock Marine project to deliver a world-class centre for marine engineering.
- **Maritime and tourism** – both for coastal tourism and access to Ireland, the Welsh ports maintain regular passenger transport to the Republic of Ireland from Holyhead and Fishguard. Holyhead is the UK's second busiest ferry port after Dover.

The volume of traffic at each of the ports in 2018 ranged from 30,900 tonnes through Milford Haven, to less than 100 tonnes at Mostyn. This variation in scale of operations, alongside the range of sector strengths for each port, highlights the importance of looking at both the national and regional impacts of the EU transition.

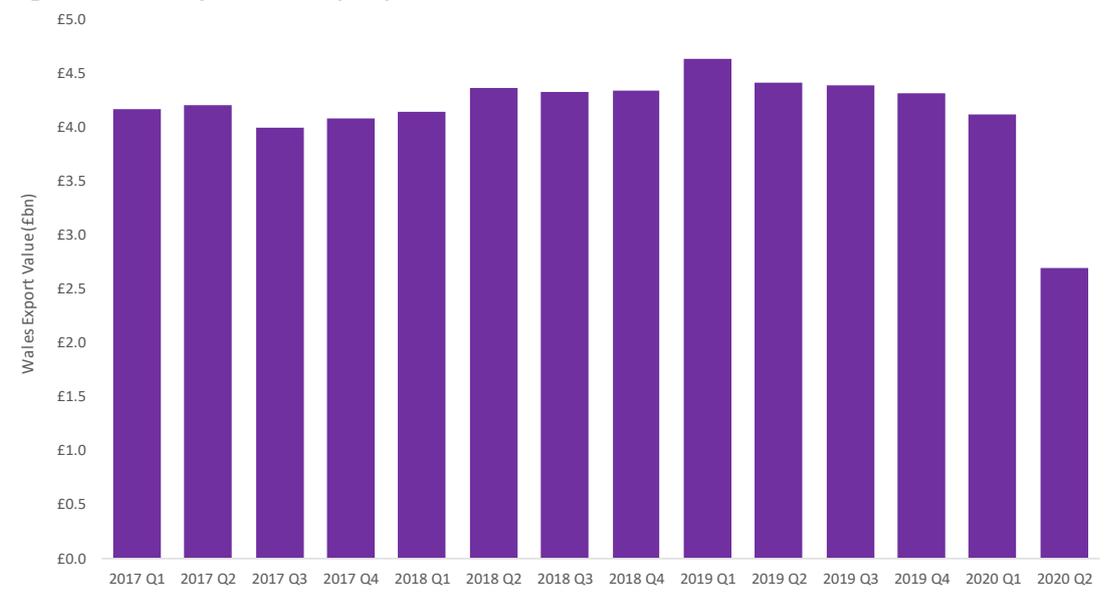
### 3 Welsh exporting context

The import and export markets are important for Welsh businesses and consumers alike. While exports provide expanded market opportunities, imports provide competition and keep prices low for consumers. Based on analysis of HMRC exports Wales exported around £2.7 billion in Q2 2020, accounting for approximately 4.5% of all UK exports. It should be noted however that for both the UK and Wales, exports during Q2 2020 were significantly lower than the same quarter in 2019 – with just over £4.4 billion (Wales) and £84bn (UK) – highlighting the scale of the impact of the COVID-19 lockdown restrictions on business activity.

Under normal circumstances exports from Wales average c£4.2 billion of goods per quarter and around £17.1 billion annually. Figure 2 shows the trend in Welsh exports since Q1 2017, revealing a relatively consistent trend, bar Q2 2020, where the impact of COVID-19 restrictions on business activity is evident.

<sup>6</sup> The economic contribution of the Maritime Sector in Wales, Cebr 2019

**Figure 2 Total export values (£bn), Wales, Q1 2017 - Q2 2020**

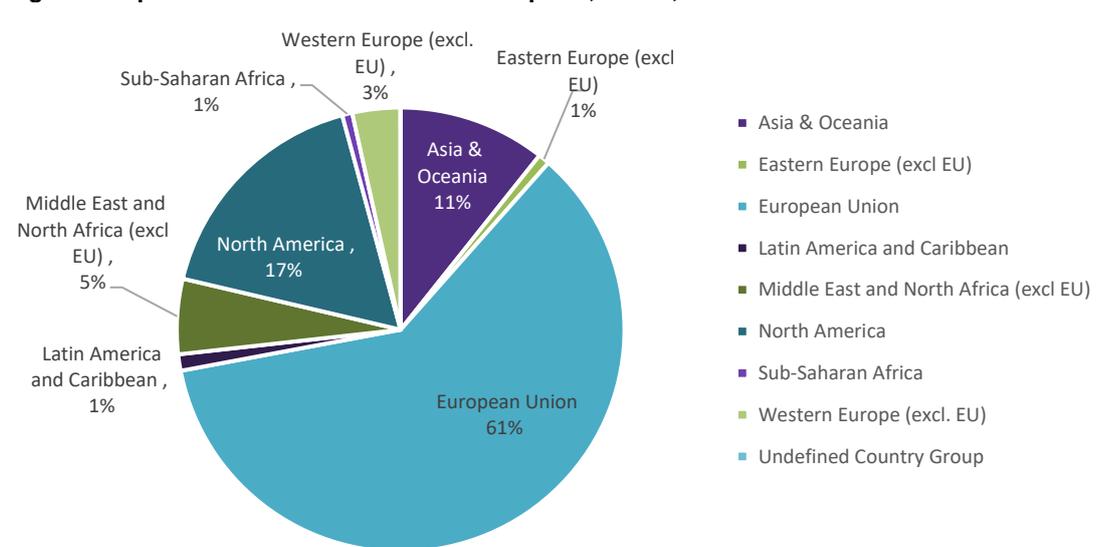


Source: HMRC Regional Trade Statistics & Grant Thornton Analysis

A wide range of goods are exported from Wales and a wide range of destinations served, including EU and Non-EU countries. Figure 3 provides a breakdown of Wales exports by destination (EU and Non-EU) for 2019. The majority of Wales’ goods are exported to other EU countries, with this market accounting for 61% of all exports in 2019. In comparison, EU exports from the UK as a whole accounted for only 48% of exports made in 2019.

It has been widely recognised in policy documents that Wales’ and the UK’s proximity to Europe explains why most of the trade is with European countries. Welsh Government has highlighted this ‘trade gravity’ as a primary reason that free trade deals with other countries would unlikely compensate for the loss of access to the EU single market<sup>7</sup>.

**Figure 3 Exports destinations as % of total exports, Wales, 2019**



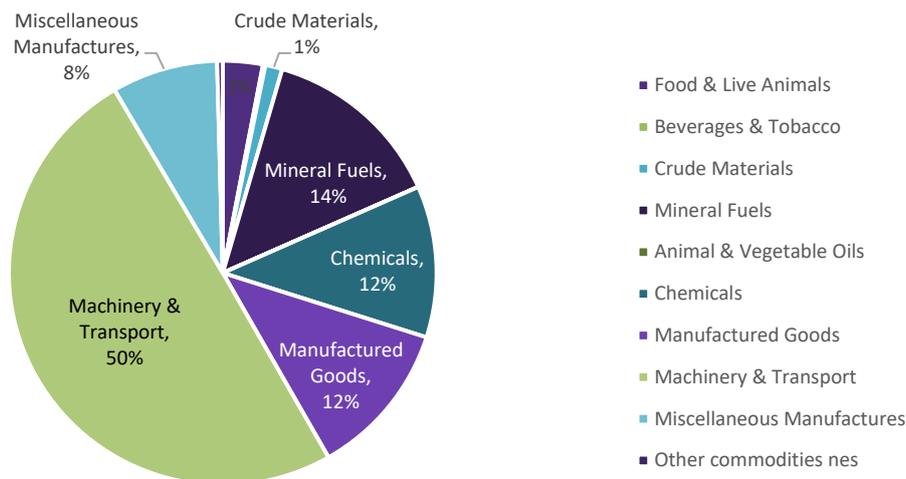
Source: HMRC Regional Trade Statistics & Grant Thornton Analysis

<sup>7</sup> Trade Policy: the issues for Wales, Welsh government, 2018

Sector strengths for Wales become apparent when looking at the total exports per sector. Reflective of the major ports and steel activities, in 2019 exports of Machinery & Transport accounted for 50% of total exports. Figure 4 shows a complete breakdown of the exports made by Wales in 2019 by SITC grouping.

Given that many of these sectors are, according to the Office for Budget Responsibility<sup>8</sup>, also ‘at risk’ because of COVID-19, it underlines the challenges and threats currently facing Welsh businesses and in particular the country’s export economy<sup>9</sup>.

**Figure 4 Total exports by SITC codes (% of total exports), Wales, 2019**



Source: HMRC Regional Trade Statistics & Grant Thornton Analysis

Export values, destination markets and the overall types of goods being exported are important contextual points for assessing how various trade deals might impact the Welsh economy. It is equally important to understand Welsh businesses export propensity and how export focussed business are – i.e. are exports skewed by being undertaken by one or two large firms or are exports undertaken by a significant cohort of businesses.

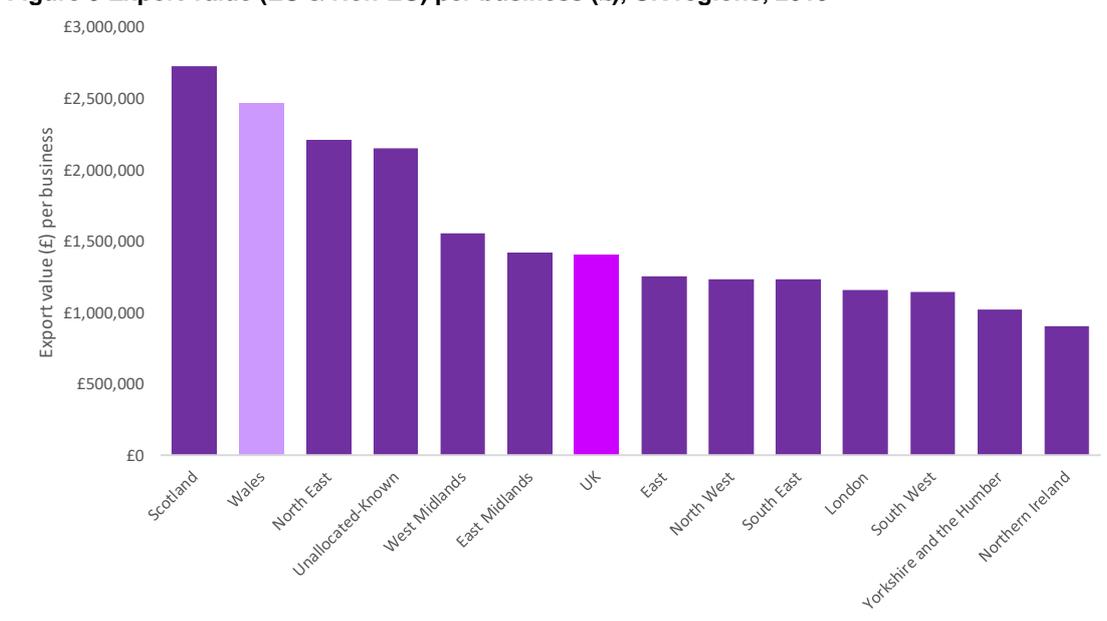
In 2019, Wales ranked 2<sup>nd</sup> of all the UK regions – including any Unallocated exports – for exports (EU & Non-EU) made per business (

Figure 5). Welsh businesses export around £2.5m worth of goods on average, compared to £1.4m per business in the whole UK. This highlights the higher level of export propensity among Welsh businesses compared to the average UK business, while also highlighting the importance of exports to Welsh business development/growth.

<sup>8</sup> OBR Coronavirus reference scenario, Office for Budget Responsibility 2020

<sup>9</sup> The Future UK/EU Relationship, Welsh Government, 2020

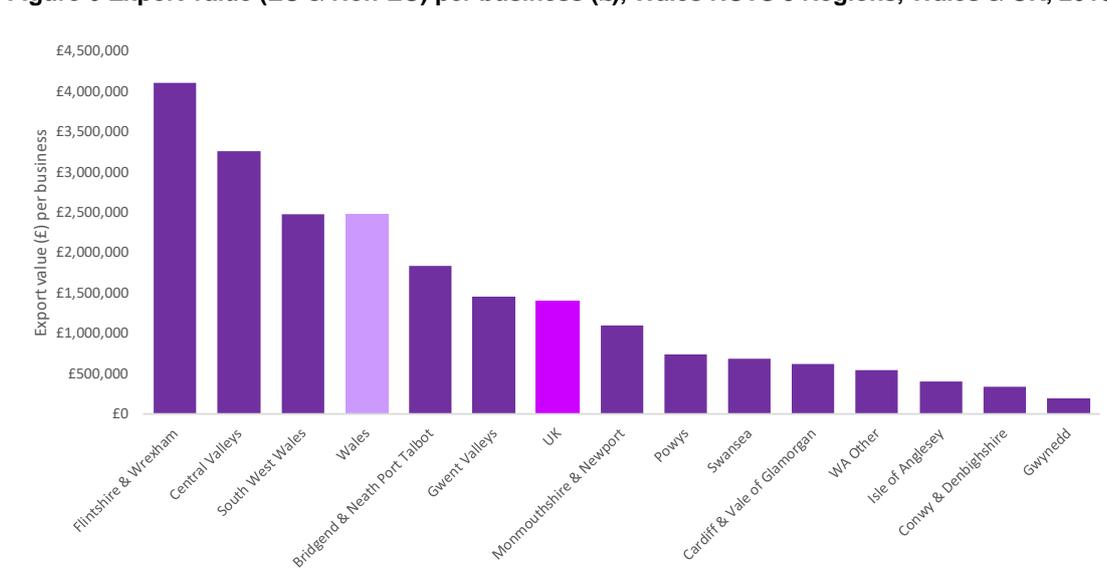
**Figure 5 Export value (EU & Non-EU) per business (£), UK regions, 2019**



Source: HMRC Regional Trade Statistics & Grant Thornton Analysis

Looking at the goods export propensity for business by Welsh NUTS 3<sup>10</sup> regions (Figure 6) shows a greater export intensity among businesses in less urban areas. This is unsurprising given the propensity for manufacturing companies to be based in less urban areas and for service sector companies to cluster in cities, leading to a higher potential service export base. Supporting this view, the 2019 Business Register and Employment Survey (BRES) (the latest available data), reveals that around 1 in every 4 employee jobs in Cardiff & Vale of Glamorgan were in the Education & Health sectors. The sectoral structure in Flintshire & Wrexham is more weighted towards the Manufacturing sector – a more export dependent sector – with 1 in every 4 employee jobs being in this sector.

**Figure 6 Export value (EU & Non-EU) per business (£), Wales NUTS 3 Regions, Wales & UK, 2019**



Source: HMRC Sub-Regional Trade Statistics & Grant Thornton Analysis

<sup>10</sup> NUTS 3 stands for the Nomenclature of Territorial Units for Statistics level 3. It is a geographical level that is formed from groupings of local authorities in Wales.

These findings highlight the relative importance of exporting to the Welsh economy. Given the importance of trade to Wales, the changing relationship between the UK and EU prompts questions around the impact on exports of different trading arrangements. It is in response to this context that we have developed a Gravity Model of Wales' exports to assess what impact a 'deal' or 'no deal' EU-UK trade relationship will have on Welsh exports.

## 4 Welsh importing context

As noted in the introduction, the focus of this report is on exports rather than imports. However, it is important to note that like exports, the level of imports are an important factor to the level of business development and consumer choice. Based upon statistics from the HMRC, imports into Wales amounted to £2.7bn in Q2 2020 – accounting for around 3.3% of all UK imports (£81.6bn). Similarly to the situation with exports, the level of imports has been impacted by the COVID-19 pandemic. Total imports in Q2 2020 were almost 40% lower compared to Q2 2019.

Typically, Wales imports around £4.5bn worth of goods per quarter and around £18.1bn annually. The majority of goods imported into Wales originate from Non-EU countries, which accounted for around 61% of all imports in 2019. In comparison, Non-EU imports for the rest of the UK only accounted for around 45% of goods imported in 2019. Of the goods imported into Wales, the largest proportion of these centre around the importing of Machinery & Transport equipment, with this sector accounting for 37% of all imports undertaken in 2019. Wales also shows a high level of import in Mineral Fuels with this accounting for around 23% of all imports in 2019.

The difference in terms of the dependence of the EU to Wales in terms of exports and imports is stark. While the EU accounts for 61% of exports, it only accounts for 38% of imports. This highlights the potential difference in exposure of a 'no deal' EU transition for exports and imports. While we can be certain about the EU transition having a negative impact on imports it can also be said that the impact will be lower than would be seen in terms of exports. As noted in the introduction limitations in the robustness of import data meant that it was not possible to model these impacts in the same way that we have done for exports.

## 5 Leaving the EU

It has been widely recognised that leaving the EU will have impacts on tariff and non-tariff barriers to trade. Throughout four decades, access to the Single Market has resulted in frictionless trade between the UK and the EU. Welsh Government have previously noted that "In most cases, the costs and bureaucratic burdens which face a Welsh business selling a product in Germany or Malta are little different from selling it in Scotland"<sup>11</sup>.

By exiting the Single Market, even with a Free Trade Agreement (FTA) that would aim to reduce or eliminate charges for trading across the border, there will be significant change to trade relationships. Therefore, Welsh Government have made it clear that any future FTA with the EU must prioritise access to EU markets, minimise barriers to trade, and aim to maintain the frictionless access to trade<sup>12</sup>.

Despite the aspiration for frictionless trade agreements, much of the policy and strategy around future trade relations remains unclear. For example, while it was a member of the EU, the UK was part of around 40 trade deals with over 70 countries. At present, only 22 of these existing deals are being rolled over to start on 1<sup>st</sup> January 2021<sup>13</sup>. Further trade deals are still yet to be negotiated with previous trading partners and therefore their potential impact is yet unknown.

Despite the possibility of an FTA with the EU, the benefits this would bring might be unlikely to offset the losses from non-tariff barriers to trade<sup>14</sup>. These barriers may include the requirement of additional

<sup>11</sup> Trade Policy: the issues for Wales, Welsh government, 2018

<sup>12</sup> The Future UK/EU Relationship, Welsh Government, 2020

<sup>13</sup> <https://www.gov.uk/guidance/uk-trade-agreements-with-non-eu-countries>

<sup>14</sup> Economic analysis of UK government's proposals for EU exit, Securing Wales' Future, 2018

checks and paperwork at the border leading to delays and implications for agri-food, aerospace, and automotive sectors who rely on quick turnaround access<sup>15</sup>.

In January 2020 Welsh Government set out what it perceived to be the key points for negotiating tariff and non-tariff barriers to trade in Wales<sup>16</sup>:

- Agreeing to a broad level playing field with the EU to ensure open and fair competition including alignment on environmental, social, and labour market standards.
- Dynamic alignment with EU rules and regulations necessary to ensure no new trade barriers come into force.
- Participation in EU bodies and agencies such as the European Chemicals Agency to support dynamic alignment.
- Ensuring that the choices regarding governance of our future relationship, and the UK's future immigration framework reflect the prioritisation of EU markets.

It is clear that close alignment to EU bodies and regulations would mitigate some barriers to trade, however the current expectations for trade deals and policy remain unclear and therefore difficult to navigate. Additional policy surrounding Freeports and the Northern Ireland Protocol complicate the picture further.

The **Northern Ireland Protocol** aims to ensure that there is no border or border formality between Northern Ireland (NI) and the Republic of Ireland (RoI). Under the current Withdrawal Agreement there would therefore need to be customs checks on goods crossing the border between Great Britain and Ireland<sup>17</sup>.

The main implications on the Northern Ireland Protocol are expected to be:

- Producers in Great Britain (GB) (including Welsh producers) are likely to lose market share in Northern Ireland (NI) as goods sent from GB to NI will face new customs checks, possibly customs duties, and other regulatory/administrative checks, while NI trade with the EU (notably with the RoI) will remain frictionless.
- The more extensive the trade barriers between the UK and the EU (notably RoI), coupled with less extensive border checks between GB and NI, will result in a greater incentive to divert trade from RoI-GB to NI-GB routes. This will likely impact on the level of freight going through Wales to Ireland.
- New infrastructure and technology solutions will need to be implemented in Welsh ports to handle any new checks required.
- Any delays to border checks could have significant implications for sectors that rely on quick transport and access. For example, perishable food items may be subject to longer or more extensive checks regardless of whether the UK diverges from EU food standards.

Alongside this, the UK Government is also looking to introduce up to 10 **freeports** across the UK which would have "different customs rules to the rest of the country, that are innovative hubs, boost global trade, attract inward investment, and increase productivity."<sup>18</sup> The proposal is that freeports would provide a secure customs zone where business can be carried out inside a country's land border but reduce tariff controls and provide relief from duties and import taxes<sup>19</sup>. However, analysis of the potential for duty savings from Freeports suggests that they are unlikely to generate any significant benefit to businesses<sup>20</sup>. As such, it is a proposal that has been subject to extensive consultation by Government<sup>21</sup> with decisions still pending around its implementation. The true impact of freeports is therefore currently unknown but it is likely that freeports would have implications for both port infrastructure, customs checks and trade flows into and across the UK.

<sup>15</sup> Welsh Government's analysis of the UK Government's negotiating mandate for the Future Relationship with the EU, Welsh Government, 2020

<sup>16</sup> The Future UK/EU Relationship, Negotiating Priorities for Wales, Welsh Government, 2020

<sup>17</sup> The protocol on Ireland/Northern Ireland: the implications for Wales' external trade, 2020

<sup>18</sup> Freeports consultation, UK Government, 2020

<sup>19</sup> Freeports and Wales, Welsh Affairs, 2020

<sup>20</sup> Tariff inversion in UK Freeports offers little opportunity for duty savings, UK Trade Policy Observatory, 2020

<sup>21</sup> See <https://www.gov.uk/government/consultations/freeports-consultation>

## 6 Wider socio-economic considerations

Wales' extensive trade links with Europe also have implications for a wide range of socio-economic factors, both for residents and businesses.

Academic literature shows that importing and exporting goods helps to boost productivity by increasing competition when exporting to a global marketplace<sup>22</sup>. This boost in productivity in turn can lead to higher paying employment and improved living standards across the Welsh economy. Similarly, importing creates competition within the Welsh market, providing variety of choice for consumers and limiting prices<sup>23</sup>.

Wales has also benefited from multiple foreign inward investment projects over the years. Evidence suggests that membership to the EU may have increased foreign direct investment in the UK by around 30%<sup>24</sup>. The loss of this investment from multi-nationals may have impacts on productivity and pay as these tend to be higher in multi-national businesses with positive effect 'spilling over' to more local Welsh businesses<sup>25</sup>.

Additionally, Wales receives money from both Common Agricultural Policy payments, and European Structural funds totalling approximately £680 million each year. Since 2001 these funds have worked to halve the inactivity gap between England and Wales and improve employment rates. The funding has targeted infrastructure, research and innovation, and skills. Without this funding, Welsh Government makes it clear that Wales could be left behind as a region of the UK<sup>26</sup>.

Finally, the loss of free movement with the EU may have significant ramifications for the Welsh workforce in sectors that are reliant on expertise from the continent such as manufacturing or aerospace.

The result is that trade and in particular increased trade costs will affect a broad range of economic outcomes<sup>27</sup> both directly and indirectly. While the wider affects have not been the focus of this work they are an important consideration for local authorities in working through the implications as it will invariably be the local authority that is called upon to provide the first line of response.

<sup>22</sup> Learning-by-Exporting Firm-Level Evidence for UK Manufacturing and Services Sectors, 2007

<sup>23</sup> Trade policy: the issues for Wales, Welsh Government, 2018

<sup>24</sup> Foreign Direct Investment and the Relationship Between the United Kingdom and the European Union, 2016

<sup>25</sup> Trade policy: the issues for Wales, Welsh Government, 2018

<sup>26</sup> Regional Investment in Wales After Brexit, Welsh Government, 2020

<sup>27</sup> IFS (2020) Potential consequences of post Brexit trade barriers for earnings inequality in the UK

# 4 Modelling results

## 1 Introduction

This chapter presents the findings of the econometric modelling results. The Gravity Model results (i.e. the percentage impact on Wales exports) have been applied to annualised HMRC Regional Trade Statistics by sector and NUTS 3 region to generate an 'as is' situation and the two scenario/counterfactual positions ('deal' and 'no deal'). Through this approach, an assessment of the impact upon Wales at a macro level, sectoral level – using SITC codes – as well as at a regional level (NUTS 3 level) can then be derived.

In considering these results it is important to note that this analysis has focused on physical exports of tradeable goods, in doing this, the analysis does not include services sectors. The exporting of services in terms of both people and data is obviously an important part of the Wales economy and will be particularly significant for some local economies. While not modelled, these sectors will not be immune from new terms and conditions of trade that result from leaving the EU.

Analysis completed for the UK Parliament<sup>28</sup> outlined that as a result of the EU transition service exports like good exports will be impacted regardless of a deal being struck. However, the impacts will occur through different channels. Unlike good exports, which are subject to tariff barriers and border checks, service exports will instead be subject to national regulations, such as professional qualifications, licensing, etc. Under the current arrangement, EU countries remove these regulations and align restrictions, allowing for the free movement of data/people, thus boosting service exports. However, under either a 'Deal' or 'No-Deal' the UK regulations on services will differ from that of EU, leading to impacts upon service exports. Under a 'Deal' there is the potential for the UK and EU to align, to some extent, their regulations. Although, this will still be likely to result in a significantly lower level of movement compared to under EU membership. Under a 'No-Deal' scenario the UK will become a 'third-party' country in terms of service exports, meaning that trade will follow the General Agreement on Trade in Services (GATS) as outlined by the World Trade Organisation (WTO). The GATS sets a baseline for the liberalisation of service sectors for trade, whereby members commit to allow trade to continue in service in certain sectors. Under this scenario, the level of trade is expected to be significantly lower than currently undertaken. As a result, under either scenario the level of service exports will be lower than they would have otherwise been, which will in turn impact the wider economy.

## 2 National Export Impacts

Table 1 shows the overall expected impact on Welsh exports across two scenarios ('No-Deal' and 'Deal'). Under, a 'No Deal' scenario, Grant Thornton has assumed the UK as a whole will have no Free Trade Agreement in place on the 1st January 2021. This will result in the UK operating under WTO terms with the European Union. Additionally, as part of this scenario it is assumed the FTA's the EU had with Non-EU countries will not 'roll-over' to the UK. Under this scenario it is assumed that both the EU and the UK will operate under WTO terms of trade in terms of individual 'commitments' on tariffs, etc. The UK under this scenario will then apply its UK Global Tariff schedule, which becomes effective from the 1<sup>st</sup> of January 2021 to all imports from EU countries. Similarly, the EU will apply the EU Common External Tariff Schedule to all imports made from the UK.

Under the 'Deal' scenario it is assumed that the UK will agree a FTA with the EU and so will operate under FTA terms from the 1st January 2021. Under this arrangement, it is assumed that all tariff rates between the UK and the EU will be removed. Similarly, it is assumed that the majority of EU FTA's with other Non-EU countries will 'roll-over' to the UK, including those with Australia, New Zealand, Canada,

<sup>28</sup> 'Trade in services and Brexit' (2019)

etc. given the pre-existing relationship between these countries and the UK. However, it is assumed that while there are no effective tariff rates in place; non-tariff barriers will be introduced, impacting trade.

The term 'non-tariff barrier' is used to cover all types of measures countries implement on top of traditional tariffs which ensure imports meet the required standards for health & safety, etc. Under these non-tariff barriers it is assumed this will place additional administrative burdens upon exporters through additional paperwork or through border checks at ports, etc.

**Table 1 Export impact (% & level £m), Wales, Annualised**

		Impact on Welsh goods exports by location of trading partner		
		EU 27	EU originated FTA	Estimated total impact cost (Annualised Impact)
Brexit outcome	<b>No-Deal</b> UK trades with EU on WTO terms and there is limited roll over of EU FTAs	-15%	-26%	£3.5bn
	<b>Deal</b> UK agrees trade deal with EU that removes all tariff barriers to trade. UK rolls over majority of EU FTAs.	-6%		£1.1bn

Source: HMRC Regional Trade Statistics, OECD, COMTRADE & Grant Thornton Analysis

Note: Figures have been rounded to nearest £100m

The Grant Thornton 'Gravity Model' estimates the impact on exports will vary across both scenarios, with the impact under a 'No Deal' scenario reducing Welsh exports to the EU by 15% and to non-EU countries by 26% (Table 1). This difference is due to the relative ease of negotiating as a collective – as part of the EU – in terms of both bargaining power as well as the overall size of the market, in comparison to negotiating as an individual country.

To illustrate the monetary impact on Welsh exports, Grant Thornton used annualised data from the HMRC to form the counterfactual. In 2019, around £17.8bn worth of goods were exported from Wales, with around £10.8bn of this going to other EU countries and the balance (£7bn) to Non-EU countries. Applying the above expected impacts under a 'No-Deal' scenario to the annualised data, it's estimated that the value of goods trade in Wales would decline by £3.5bn. Exports to the EU would reduce by £1.6bn and Non-EU exports by £1.8bn. The differential in the impact between the EU and Non-EU is due to Wales not only losing access to the EU market, but also to any markets the EU currently has free-trade arrangements. Additionally, it is estimated that when the UK start negotiations with Non-EU Countries, without the negotiating weight being in the EU provided in terms of market size, it could prove difficult reducing the UK's and Welsh overall exports.

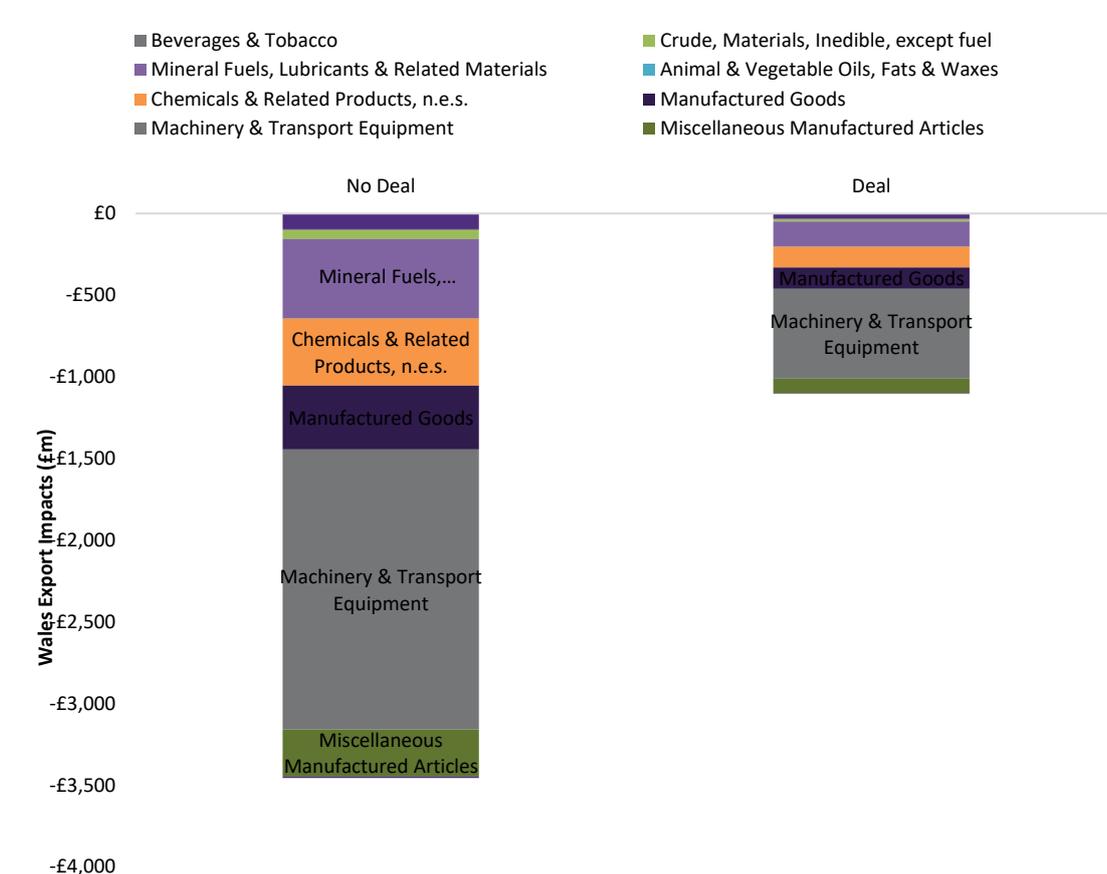
Under a 'Deal' scenario, it's estimated to reduce Welsh exports by 6%. Applying this to the annualised HMRC data gives a monetary affect of an £1.1bn export reduction.

Under both scenarios, while the impact varies between 6% and 19%, total Welsh exports are estimated to fall regardless resulting in a wider economic impact in terms of economic growth and jobs. Using Welsh turnover per job data from the Annual Business Inquiry we applied this to our goods export impacts. Our estimates for job impacts suggest that under a 'No Deal' scenario Wales could lose around 27,700 jobs, while under a 'Deal' Scenario a total of 8,800 jobs are at risk – or between 2.9% and 9.4% of total employees.

### 3 Sectoral Impacts

It is not unsurprising that the sectors that export most will feel the greatest impact. Figure 7 shows the expected export impact by SITC across both scenarios. The predominant impact (69%) will be focussed in the Manufacturing sectors. Specifically, the Machinery & Transport sector is expected to bare the brunt of this impact – accounting for around half of the total impact (50%).

**Figure 7 Export impact value ('No-deal' & 'Deal') by SITC codes, Wales, Annualised**



Source: HMRC Regional Trade Statistics & Grant Thornton Analysis

**Note:** Beverages & Tobacco and Commodities & Transaction not elsewhere specified (n.e.s). have been removed from the above chart as both impacts less than £2m

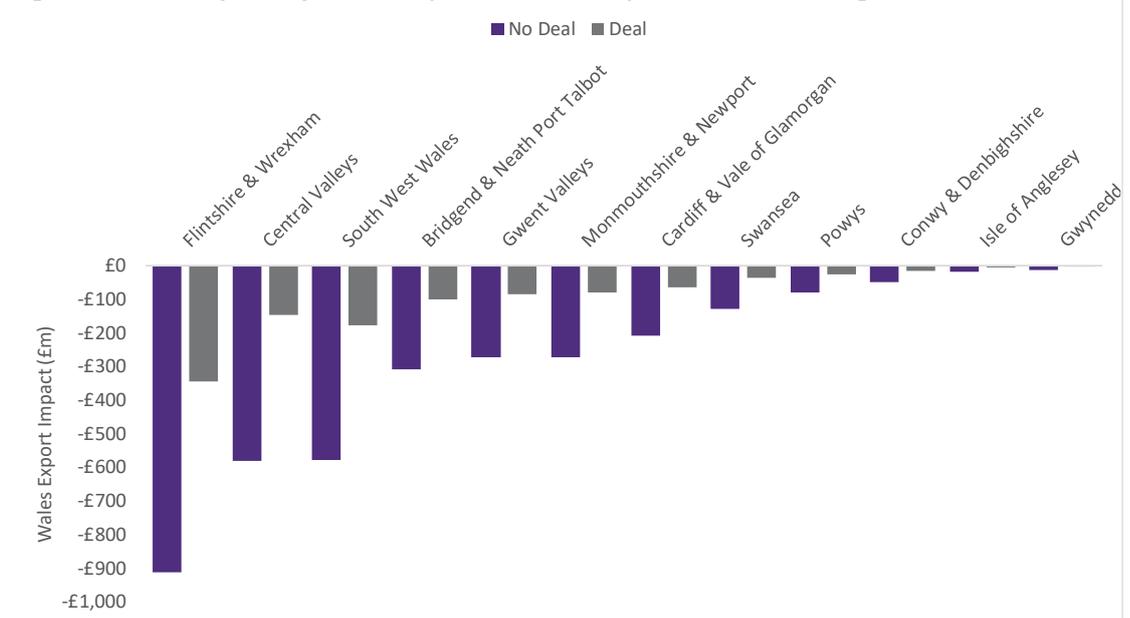
## 4 Regional Impacts

Regionally, available goods export data supports an assessment at NUTS 3 regions.

Figure 8 shows the most affected goods exporting region to be Flintshire & Wrexham. Service based (typically city) economies are less affected i.e. Cardiff & Vale of Glamorgan. These service city-based economies may be more susceptible to impacts to services and the flows of people and data, and thus more likely to see service exports impacted rather than goods.

The divergence in impact is both reflective of the exporting intensity difference between the areas, as highlighted in Figure 6, as well as the differences in their sectoral structures. As noted earlier Flintshire & Wrexham is highly Manufacturing focused, with around 1 in 4 employees employed in this sector compared. In comparison, only 1 in 20 employees in Cardiff & Vale of Glamorgan are employed in this sector.

**Figure 8 Goods export impact value ('No-deal' & 'Deal'), Wales, NUTS 3 Regions, Annualised**

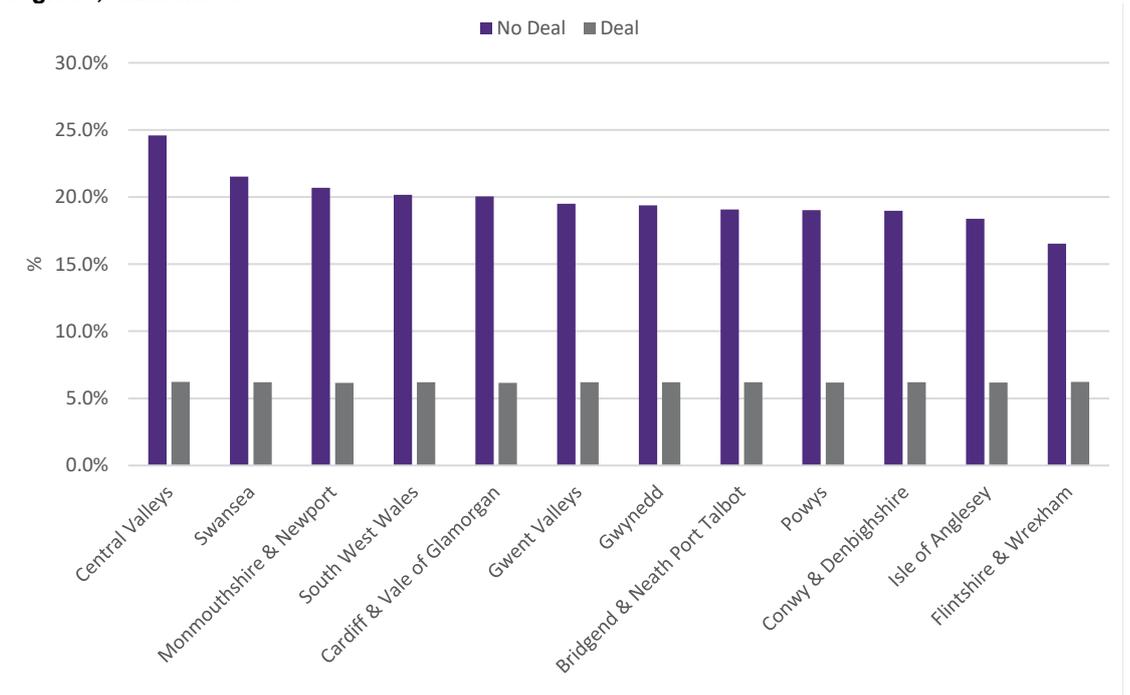


Source: HMRC Sub-Regional Trade Statistics & Grant Thornton Analysis

**Note:** The above doesn't include the impact on WA BTTA, WA Energy & WA Other exports

It should be noted that whilst Flintshire and Wrexham is predicted to experience the largest export impact in value terms in a 'no deal' scenario, when this is expressed as a proportion of total exports it is comparatively lower than the other areas, at 16.5% (see Figure 9). However, these impacts will still have significant impacts on their local economies. By contrast, in the Central Valleys the export loss represents 24.6% of total exports. In the case of a 'deal' the export impacts as a proportion of total exports is relatively similar across all areas, averaging 6.2%.

**Figure 9 Export impact value as a proportion of total exports ('No deal' & 'Deal'), Wales, NUTS3 regions, Annualised**

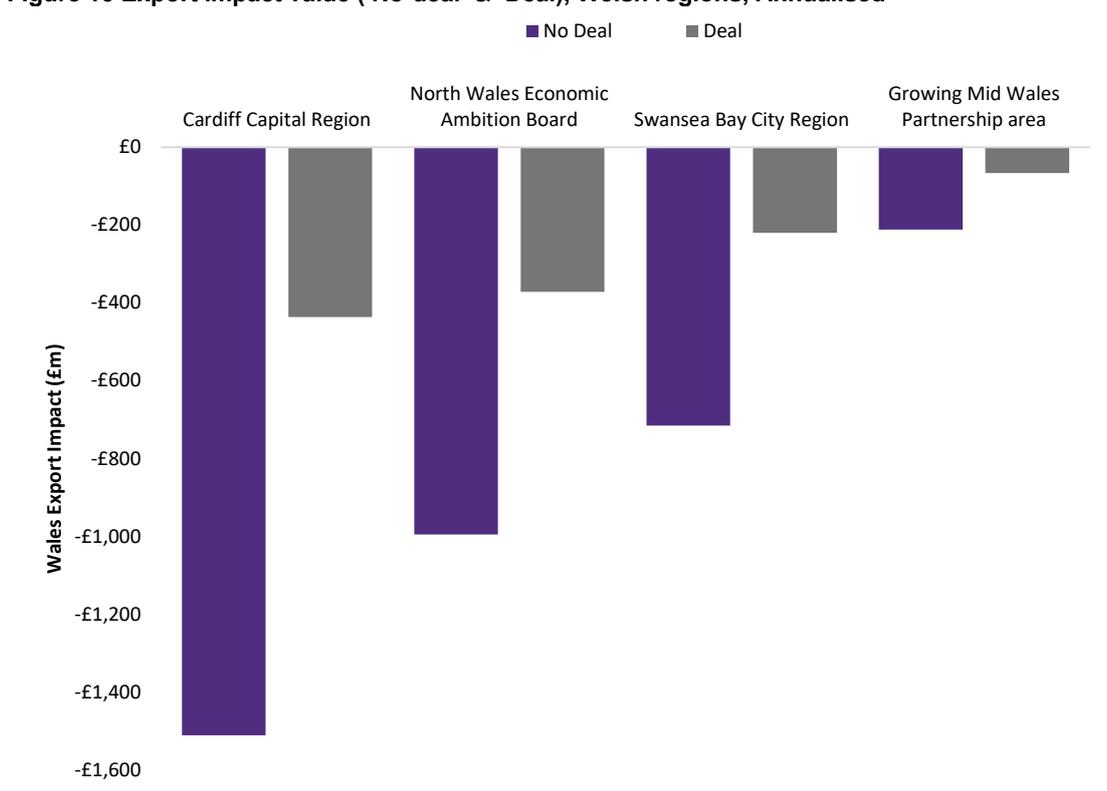


Source: HMRC Sub-Regional Trade Statistics & Grant Thornton Analysis

Using the NUTS3 level data we have also been able to aggregate the export impact value to the four economic regions of Wales<sup>29</sup>. In order to present the data in this way we had to implement a weighting methodology using business data. This approach has limitations as it does not take into account the propensity to export of individual businesses and therefore the results should be treated with caution.

Figure 10 shows that out of the four Welsh economic regions Capital Cardiff Region is estimated to be the most affected – in part due to its scale – with a predicted reduction in export value of £1.5bn in a ‘no deal’ scenario, whilst the Growing Mid-Wales Partnership area the least affected, with a reduction of £0.21bn.

**Figure 10 Export impact value (‘No-deal’ & ‘Deal’), Welsh regions, Annualised**



Source: HMRC Regional Trade Statistics, UK Business Counts (2020) and Grant Thornton Analysis

**Note:** Regional figures are based on a weighting methodology using business data, however not all businesses will engage in exporting activity.

## 5 Supply Chain Impacts

The analysis undertaken establishes that exports will reduce, regardless of the type of agreement in place i.e. ‘Deal’ or ‘No Deal’. By design, the gravity model assesses these ‘first round’ effects of reduced trade flows. Wider, ‘second round’ effects such as how reduced exports impact on supply chains are beyond the scope of the model but are important to consider. The exporting businesses that will see reduced turnover from trade will create a ripple effect through supply chains and, depending on the extent to which supply chains are local, have a multiplicative negative impact on the Wales economy.

Further, if supply chains are imported, there could be added costs associated with bringing these supplies into Wales. The impact on supply chains is a highly complex issue, which might also lead to

<sup>29</sup> The four regions of Wales are: North Wales Economic Ambition Board area (Anglesey, Gwynedd, Conwy, Denbighshire, Flintshire, Wrexham), Growing Mid Wales Partnership area (Powys and Ceredigion), Swansea Bay City Region (Pembrokeshire, Carmarthenshire, Swansea and Neath Port Talbot), Cardiff Capital Region (Bridgend, RCT, Vale of Glamorgan, Cardiff, Caerphilly, Merthyr Tydfil, Blaenau Gwent, Torfaen, Monmouthshire, Newport)

shifts to a more localised supply chain, rather than one which relies on imports. Unpacking these various supply chain issues, and how they impact on the Wales economy is worthy of ongoing monitoring and assessment.

# 5 Consultation findings

## 1 Introduction

Alongside the quantitative findings from the econometric modelling this chapter presents the qualitative findings from the range of stakeholder consultations undertaken as part of the project. For ease of interpretation these findings have been synthesised to identify key themes. For each of these themes we have sought to summarise the key points and highlight any points of divergence between different stakeholders.

The key themes identified through our consultations were:

- The role of Welsh ports in their local economies varies significantly across Wales and is often determined by the nature of the port and its main type of operation. Whilst some stakeholders viewed their port as serving as a major employment node in the local economy, others were aware that their port has a much smaller influence on the local economy.
- A number of stakeholders were of the opinion that their local economies are heavily dependent on 'at risk' sectors which makes them particularly vulnerable to the impacts of the EU transition. Additionally, stakeholders underlined that many of these sectors have also been heavily impacted by COVID-19, adding another layer of vulnerability.
- Preparation levels varied by sector and business type. On the whole, most participants felt that businesses were 'as prepared as they could be' but some felt that there was still not enough clarity on costs and formalities to enable effective preparation to take place. Given the recent impacts of COVID-19, there was a consensus amongst all participants that businesses have understandably been more focused on managing these risks as opposed to getting ready for the EU transition.
- When asked to discuss the risks and opportunities of the EU transition there was a much greater emphasis on the imminent threats and minimal example of opportunities. Key risks raised during these consultations included increases in tariffs, disruption at ports, re-routing of hauliers, levels of IT readiness and increased administration.
- At the time of consultation (August-September) there were mixed views from the stakeholders on Border Control Points (BCPs). Whilst some were quite optimistic that the new requirements would cause minimal disruption, others felt that timescale for integration was short, increasing the risk of disruption and need for hauliers to re-route.
- Similarly, there were mixed feelings across the range of stakeholders on Freeports. A number of stakeholders recognised the positives they could bring in terms of innovation, inward investment and decarbonisation but would be more effective if they could sit alongside other wider policy. Concerns were raised by a smaller number of stakeholders around economic displacement, land requirements and logistics.
- In terms of support, a recurring theme throughout the consultations related to the importance of communication and clarity. Whilst signposting to guidance was seen by stakeholder as having been beneficial, some felt that the information has sometimes been difficult to digest and could be taken a step further through the creation of a contact centre where people can ask questions and receive more tailored advice.

## 2 The role of ports in local economies varies significantly across Wales

Through our discussions with local authorities and port authorities it became apparent that many of the ports serve distinct and differing functions and therefore have varied roles in the surrounding economies. Port of Mostyn, for example, is an important port for the offshore renewable energy sector, with seven offshore wind farms but deals with very little cargo. Port Talbot on the other hand is home to

Tata's primary steel manufacturing operation and handles over 6.6 million tonnes of cargo every year and over £760 million of trade. Milford Haven is known as the UK's largest energy port and is also one of the busiest ports in Wales in terms of freight movement. By comparison, Port Barry is less busy but plays a key role in the regional chemical industry through the transportation of liquid bulk for companies like Dow Silicones. Holyhead primarily serves as a ferry port, providing vital links between Wales and Dublin. Therefore, the type of economic activity occurring at and around ports can vary quite significantly.

In the case of Flintshire, Pembrokeshire and Anglesey, the ports serve as significant employment nodes not just for the local authority but also in supporting wider regional economic growth. For example, investment in the Port of Milford Haven has helped support around 4,000 jobs in recent years and the master plan for the redevelopment of dock areas at Milford Haven (Pembroke Dock) will provide a significant boost to the town through the conversion of historical buildings into new office space, a new supersize slipway and external laydown areas. These developments will help to ensure marine energy developers and other industries, can maximise operational efficiency and benefit from the enhanced land to sea interface. For Flintshire, the sustainable energy generation associated with the Port of Mostyn is also becoming a more significant part of the local economy. In Anglesey, the port of Holyhead directly supports 210 jobs, and indirectly another 100 jobs. Additionally, there are the seafarers which equates to an additional 230 jobs at Holyhead.

However, for some local authority areas such as Newport and Swansea the port isn't seen as currently proving a significant node of employment. However, there is recognition of the potential that the port offers and that with the right type of inward investment there is scope for the creation of new jobs.

It should also be noted that some ports have large regeneration schemes underway which in the medium-long term could also impact the local economy. For example, waterfront redevelopment at Port Barry could deliver up to 2,000 new high-quality homes alongside leisure and retail offerings.

### 3 Some economies are particularly reliant on 'at risk' sectors, increasing exposure to EU transition impacts

Aside from ports, local economies that are more reliant on manufacturing, aerospace, agriculture and tourism are perceived to be most at risk to the impacts of the EU transition. This is particularly the case for manufacturing which could see a 69% reduction in export value according to our model (see previous section). In Flintshire, some 30% of businesses relate to the manufacturing sector and many of these are particularly dependent on external trade rather than internal trade. Any disruption to trade could therefore have significant ramifications on the economy. The challenges that agriculture will face are largely to do with export tariffs, loss of farm support and the common agricultural policy.

Participants also raised that some of these sectors are now even more at risk due to COVID-19. This was felt by stakeholders to be particularly the case for the automotive and aerospace industry where consultees identified a drastic decline in demand, placing even large profile businesses at increased risk. This impact was also felt to have had knock on impacts on other sectors that comprise the supply chain, such as steel industry which provides components for vehicle bodies.

Consultees also highlighted that in other sectors, a greater concern is the impact of the EU transition on the labour market availability. This is particularly the case in economies where there is a high reliance on EU nationals, such as agriculture, tourism and education, which were identified by stakeholders as already experiencing recruitment difficulties.

### 4 Preparation, or lack of, for the EU transition

Through the conversations it became apparent that there is often a general lack of awareness on the implications of the EU transition and what the formalities will entail. The perception was that while businesses know that they have to 'get ready', they have limited clarity on what they are actually preparing for and are still relatively unaware of the additional costs and delays that could result.

However, this is countered by some where the view was that given the uncertainties that exist, they felt 'as ready as they could be'.

Levels of preparation also appeared to vary by sector and size of businesses. It was generally felt that the larger 'tier 1' businesses were already well prepared but that smaller businesses have tended to fall behind on preparedness levels. Some of the interviewees felt that larger businesses were better prepared because of the direct relationships they have with government departments who will be guiding them through and ensuring that they are transition proof; or because they have the capacity to employ in house specialists on trade related matters such as VAT specialists which will enable them to work through some of the challenges ahead. For example, many organisations are struggling to understand exactly how changes to VAT and customs will impact them.

Whereas, smaller businesses will be more dependent on more widely available resources such as the government website. Whilst useful, some stakeholder felt that this information can be difficult to interpret and not as tailored as it could be (something that is explored in more detail later). The result is that there is a reliance on the larger companies to feed information down through the supply chain. Maintaining the accuracy and timely flow of this information can therefore be challenging and any blockages further upstream can have significant implications to the rest of supply chain who may miss out on vital information.

A secondary issue is that over the past few years people have witnessed and come through a series of 'false storms' on the EU transition. Two deadlines have already been and gone with many seeing little change to day to day life and business operations. The result is that there is a perception that the 31<sup>st</sup> December 2020 deadline will be similar. The sector bodies consulted were clear that this is a false perception and that from the 1<sup>st</sup> January 2021, things will be very different.

A recurring theme throughout our discussions was that over the past 6 months COVID-19 has understandably been a major focus area for businesses of all sizes. This has meant that EU transition preparedness has been temporarily side-lined, while efforts are focused on managing COVID-19 risks and ensuring that businesses can continue to operate. In some cases, EU transition preparedness teams have had to be disbanded and it has only been in the past couple of months that the EU transition has to start coming back on to the agenda.

## 5 Mixed feelings about the risks/opportunities of the EU transition

### Risks

When asked questions around risk many stakeholders found it difficult to say what the precise impacts might be, given the view that there are still so many unknowns surrounding the EU transition.

In relation to traffic flows at ports there were mixed views on the risks depending on the nature of port and trade routes. One resounding message was that ensuring frictionless trade that protects established and intertwined supply chains is paramount. In Holyhead, there are some fears around trade readiness and that if hauliers and importers are not ready then congestion at the port could be a potential risk. The added concern at Holyhead is that Northern Ireland originating loads, which accounts for a third of traffic coming from Dublin to Holyhead, may decide to ship on direct NI to GB routes in order to avoid customs process in ROI. Equally important to both Holyhead and Fishguard is the risk that the high proportion of Republic of Ireland originating loads that use the GB 'Landbridge' to access the Continent may decide not to transit via GB due to perceived congestion around the short sea and 'Operation Brock'. If these goods were to go direct to France from Ireland (Rosslare to Cherbourg) that could reduce the volume coming through Holyhead and Fishguard which also carries risk. There are also NI originating consignments that come through the Pembrokeshire ports, where typically half-loads are picked up in NI and then more part loads in Ireland. This would also make for greater complications in enforcing customs requirements.

There are also risks in relation to government and third party IT systems and customer readiness, not just in relation to routes with the UK but also Ireland. Given that we are now in November the timetable for integration is very short leaving little time to train staff fully or test the integration. As yet, there is also no 'plan b' if systems were to go down and the system as it stands is not developed to react to unplanned service disruption which means that manual intervention needs to be considered.

Through our consultations with sector bodies it also became clear that risks tended to vary according to sector and the type of operations.

For **crude material refineries** there were mixed feelings. For example, there are concerns in relation to one large oil refinery, where the risk of uneven tariff arrangements could jeopardise trade relations and create an unfair advantage for importers. But from a gas perspective, there was a perception of minimal impact with large operators not voicing concerns.

In terms of **food and drink** it is clear that this sector is already under a lot of pressure and the challenge from the EU transition will be around the scale of disruption. There was acknowledgment that even if there is a 'deal' there will still be increased costs and bottlenecks to deal with. The level of disruption will vary case by case and will be dependent on the current trading situation of individual businesses. The general view was that businesses that do not import/export and are more self-sufficient on local markets will be relatively unaffected. But for the SMEs that are more dependent on trade, process such as rules of origin will require increased levels of paperwork, labelling and other criteria which the industry is not yet fully geared up to deal with. One of the requirements for packaged food and beverage will be to have an EU office address on the packaging which could result in a significant amount of work in order to find an appropriate address, especially for UK based SME's without a physical office base in Europe.

An additional burden for food and drink businesses, irrespective of any deal, is that imports from the EU will be subject to custom declaration costs per delivered consignment. One stakeholder noted that these costs could range from between £90 to £200 per consignment depending on the type of commodity, how many commodities and whether the consignment required a Common Veterinary Entry Document (CVED) for products of animal origin. Linked to this, there is also real concern that the UK will not have enough qualified practitioners to check and sign the paperwork at the point of destination which could cause further disruption.

The added risk for the food and drinks sector is that some of the goods will be perishable and therefore if lorries arriving at ports aren't carrying the correct paperwork, goods could end up sitting at the port for a prolonged period with the risk of spoiling and wastage.

The other wider risk associated with food and drink is that in the case of a no deal scenario the average price of food could increase significantly as a result of tariffs. The British Retail Consortium warns that in the case of a no deal scenario, tariffs would add £3.1bn a year to the cost of importing food and drink. The impact of tariffs will vary across a range of products but could be as high as a 48% levy on beef mince<sup>30</sup>. The inevitable increase in prices on these goods could have devastating implications for the most deprived low-income communities who are already struggling a result of COVID-19.

A secondary risk related to the increase in tariffs is the knock-on impacts this will have on supply chains. Some businesses will need to inform their entire supply chain of the potential tariffs that may apply, if any, but this can only take place once the trade talks have concluded. This leaves a very short timeframe to disseminate the information through the supply chain and advise any customers of additional costs due to tariffs.

There are also questions about the future of the fishing sector. Whilst many early EU transition conversations focused on the benefits of 'taking back control' over fishing waters, people remain unclear as to what that will actually mean in practice. Some are sceptical as to whether Wales is prepared to take advantage of this – for example it would require much larger fishing trawlers. Also, owing to the unique fishing market in Wales, which is heavily dependent on shellfish exports, it is seen as being more vulnerable to the loss of market or any non-tariff barriers and therefore maintaining unfettered access to the Single Market remains a greater priority.

From a **manufacturing** perspective the risks are seen as being two-fold – the first consideration is the flow of goods and the border and the second is the trade formalities and what this means for business operations. The primary difference between a deal or no deal will be the issue of tariffs. However, it is the business operation issues which are likely to impact more acutely regardless of whether there is a deal or not. A number of sector bodies highlighted that whatever the nature of the deal, the principles of trade will change and there will be immediate and substantive changes around the physical dispatch and export of goods. Changes that will bring a raft of additional business operation requirements which

<sup>30</sup> Fair deal for consumers – Why tariffs are bad news for UK consumers, British Retail Consortium, July 2020

many companies may not have the in-house expertise to deliver themselves, such as VAT exposure, auditing requirements and business ownership in the EU.

The further complicating factor, is that there are four distinct types of trade routes to consider (GB to EU, EU to GB, GB to NI and NI to GB) which would mean that entry requirements could be different at different ends of the route, requiring four different border formalities. In the case of deal some of these formalities could be addressed to reduce complexities but people need to be prepared that these mitigations may not be in place.

The **aerospace** sector has already been hard-hit by COVID-19 and there are fears that the EU transition will result in even more turmoil for the industry. Part of its vulnerability lies in the fact that is a very global sector which is sustained through the constant movement of parts and pieces across European borders. With the introduction of tariffs and trade barriers it becomes logistically challenging and expensive to sustain this constant movement. Any rise in expenses will ultimately make a business less competitive, which is a particular risk for aviation businesses in Wales who are in direct competition with other sites across the globe. As a consequence, there could be increased risks of companies looking to offset risks by moving some of their operations to other locations in Europe. This would then have knock on impacts to local workforces. If the UK becomes less attractive this could also lead to a reduction in inward investment which is crucial for the sector and have knock on impacts on the skill sets. The sector could also see dual related impacts from both the EU transition and COVID-19. For example, if a large second wave of COVID-19 was to coincide with increased border disruption from the EU transition it could see the prioritisation of transportation in life saving PPE, medicines and technology over engine related parts and machinery.

The **automotive** industry has taken several 'hits' in recent years with high profile companies cutting jobs, in some cases plants closing down all together. Whilst some of this has been blamed on falling sales in China, the view was that many think that these changes are down to EU transition uncertainty which is adversely affecting car sales and reducing investment in the industry. The risks have now been exacerbated by COVID-19, which has seen demand for cars virtually 'bottom out'. This has shorter and longer term implications. In the short term it has demanded a focus on mitigating COVID-19 risks as best as possible. Over the longer term a reduction in demand forces global manufacturers to make difficult decisions around the viability of plants and facilities, the fact that these decisions are being made at a time when manufacturing in and export from the UK is about to become more complex and expensive could have notable implications for the sector.

For other sectors, the risks posed by the EU transition are thought to be more indirect. For example, over the past 25 years there hasn't been tariffs on **steel** which is partly why there is so much global trade. Therefore, the implications of the EU transition on tariffs won't make a huge impact straight away. However, in 2018 the US introduced a 25% tariff on steel imports from the EU, which may carry over to the UK once the EU transition period is over. There is therefore still uncertainty about how the UK will be treated within that regime. A second risk for the steel sector is the knock on impacts from other affected sectors such as automotive sector, which often require steel components. For example, Tata supply flat role products which used in the production of cars and therefore is any significant impacts on the automotive sector could have significant repercussions.

## Opportunities

The majority of stakeholders were of the view that any potential opportunities for benefits remain unclear but there was recognition that it is important to start thinking about opportunities alongside the risk.

Where opportunities were identified, it was accepted that these benefits would take a while to 'come through the system'. For example, benefits could arise from having independent trade policy – new systems could be introduced which improves trade such as the digitalisation of transactions.

Another suggested opportunity was the creation of new jobs through state agencies being based at ports or through local firms who step in to fill the gaps when certain trade items or services become more expensive.

For some sectors the EU transition could also provide the impetus to develop new relationships with other countries. However, some noted that whilst new global markets could bring long-term benefits, these are not going to flow through quickly or replace what is being lost with the EU. New trade deals

can be complex and resource-intensive and therefore negotiations could be time consuming and expensive.

For the food sector there could be an opportunity to increase the processing capacity specifically in Wales. With a small number of stakeholders mentioning that there might be opportunities around fishing but it was acknowledged that given the challenges of working in this sector it will take significant investment in labour, skills and infrastructure.

A further opportunity for the food sector is switching to UK based brands in order to meet demand for goods that were originally imported. This will help to establish and strengthen more local supply chains and could provide opportunities for local businesses. The view from some consultees was that in order for this to be successful there would need to be more food production and processing capability within Wales.

There was also recognition that any opportunities they might have been will have been mitigated or hampered to some extent by COVID-19. For example up until recently there had been some exploratory discussions around freight going in and out of airports but there has been limited exploration of this as an opportunity as a result of COVID-19 impacts.

## 6 Mixed views on border control points

In October the Government ramped up preparations for the end of the transition period by publishing an updated Border Operating Model which provides details for businesses and passengers on how the GB-EU border will operate from 1<sup>st</sup> January 2021. Included within this report is a map of intended potential inland sites which highlights two potential site locations in Wales, one in Holyhead and a further one in South Wales – albeit the specific location is not clear.

It should be noted, however, that the majority of our consultations took place in August and September and therefore many of the views expressed here were prior to this publication. At the time of discussion some stakeholders were unclear as to where Border Control Points (BCP) would be located and how many ports they may serve. Alongside this, there were questions raised as to whether it was even necessary to have custom agents based in the ports where the good enters as this could be done remotely instead. For example, at Holyhead custom checks take place away from the port and requires little involvement from the port. However, at Fishguard the custom checks take place at the port which is leading to ongoing discussions with HMRC about what that will look like post the EU transition and who has control.

The majority of people consulted found it difficult to quantify or pinpoint concerns in relation to border control points. Many felt that the issues were limited as custom clearances are already being handled on a daily basis. Others have already had conversations about security and customs and therefore feel that they can accommodate new requirements relatively easily and have processes in place to manage. There was a general feeling therefore among these stakeholders that the ports are actually quite resilient and will be able to adapt as they always have done without too much disruption.

However, the latest publication of the Border Operating Model has triggered some new concerns, particularly in relation to the BCP in South West Wales. Whilst the document indicates that checks will be phased gradually with full checks not required until 1 July 2021, some see this timescale as being very optimistic. There are concerns that if BCP's aren't in place by this date it could prevent the importation of certain categories of consignments to the Pembrokeshire ports which presents a significant risk. Linked to this, hauliers tend to be risk adverse and therefore if they decide that a port no longer works for them they could reroute to other locations. There were also concerns around the lack of available land to locate border control points.

A number of stakeholders, when asked about border control points also made the point that a more pressing issue was the Department for Environment, Food and Rural Affairs (DEFRA) requirements which were felt to be onerous and difficult to manage on site.

## 7 A general lack of clarity and understanding on Freeports

As discussed in Chapter 3 of this report, the UK Government is looking to introduce up to 10 freeports across the UK which would have “different customs rules to the rest of the country, that are innovative hubs, boost global trade, attract inward investment, and increase productivity.”<sup>31</sup> The proposal is that freeports would provide a secure customs zone where business can be carried out inside a country’s land border but reduce tariff controls and provide relief from duties and import taxes<sup>32</sup>. The proposal has been subject to extensive consultation by Government<sup>33</sup>, with a bidding process launched in November 2020<sup>34</sup>. The true impact of freeports is therefore currently unknown but it is likely that freeports would have implications for both port infrastructure, customs checks and trade flows into and across the UK.

When we asked stakeholders what their view of Freeports was, we had a broad mix of responses. Many found it difficult to give strong viewpoints as they either were not very familiar with them or felt that the concept of Freeports wasn’t clearly defined. For example, some felt that freeports raised logistical questions and would like further clarity on how they would work in practice. One or two people felt that the use of ‘Free’ in the title was potentially misleading as from a tariff perspective the differential in tariffs would not necessarily be significant and therefore unlikely to generate notable savings to businesses.

One of the main concerns stakeholders held was that they could displace economic activity rather than generate new jobs and economic value. Linked to this, some also raised issues around the feasibility of moving large operations to new locations. A secondary concern was that freeports are more of a land-based policy, which raised ‘red flags’ for those areas that already have limited land availability.

More positively, some liked the idea of the ‘status’ that a freeport could bring but in other cases the attraction was driven by the fear that it could be seen as a risk not to have one, particularly if other nearby ports do.

A smaller number of stakeholders recognised the potential benefits that freeports could bring in terms of innovation, inward investment and decarbonisation. In particular it was identified that they could enable regeneration to be more targeted, as opposed to the more ‘scatter gun’ approach that currently occurs. It was however noted that the realisation of these benefits would require effective planning and correct structuring.

It is important to note, that those that did recognise the potential benefits did also stress that as a standalone policy freeports ‘could miss the mark’ and that it was important that they ‘sat alongside’ other policy measures to boost productivity. For example, tying in with wider energy policy, particularly given the advancements that are taking place in wave, tidal and lagoon power in Wales. Others felt that they also need to consider the wider strategic context – how they could strengthen local relationships and align with existing regional economic strategies. It was felt therefore that there needs to be a greater focus on freeports as economic enablers and not just the potential for lower tariffs.

For those that are getting more actively involved there have been some emerging concerns over the time and money required to make a bid, particularly given that there will only be up to 10 Freeports in total which means that the competition levels across the UK is very high.

## 8 A need for further support

A number of the stakeholders consulted expressed a view that previous support in the run up to earlier Brexit deadlines from the UK and Welsh Government had been sufficient and effective but there was a perception that the support ahead of this deadline was not as readily available or transparent.

A recurring theme throughout the consultations related to the importance of communication and clarity. The general perception was that while signposting to information is a helpful starting point, in order to be effective the support needs to be taken ‘one step further’, for example through the opening up of a contact centre where people are able to ask specific questions. Creating an accessible environment to

<sup>31</sup> Freeports consultation, UK Government, 2020

<sup>32</sup> Freeports and Wales, Welsh Affairs, 2020

<sup>33</sup> See <https://www.gov.uk/government/consultations/freeports-consultation>

<sup>34</sup> See

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/935493/Freeports\\_Bidding\\_Prospectus\\_web\\_final.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/935493/Freeports_Bidding_Prospectus_web_final.pdf)

do this was felt to be critical by a number of the consultees. The view was that businesses want to feel that they are armed with information so that they can discuss the risks and implications of the EU transition more freely and openly.

There was a view amongst some stakeholders that when information is made available it can be 'patchy and not easily digestible', to the point where sometimes it can feel 'overwhelming'. Checklists were cited as one such way as this helps break down the issues into more concise points that serve as a manageable starting point. Alongside this, there was perceived to be a great lack of coordination between UK Government and the devolved governments which raised concerns amongst a number of stakeholders.

Linked to this there was a particular need for information that helps to simplify and streamline the tariff and border processes as this would help to save time and effort. One respondent suggested that having sectoral tariff agreements could be an effective way of simplifying the process.

Another view that came out through our discussions was that support should also focus on longer term structural changes that support sectors to become more efficient and resilient to the EU transition. These measures could vary by sector but could include supporting facilities/plants to become greener and more digitally enabled – factors which while not helping with the immediate challenge would ensure that support is focused on longer term resilience and sustainability. Another area of investment identified was in the establishment of food production and processing capabilities within Wales, something that was felt to offset tariffs in an indirect way while also creating local employment opportunities.

A number of interviewees also suggested that the Welsh Government have a role to play in acting on behalf of the ports when they have concerns or issues that need raising. This may also include asking for money to invest in ports and providing more clarity on state aid rules. Greater investment would help to encourage port-centric manufacturing and encourage good quality employment in highly paid jobs.

Finally, financial support that helps to prevent the liquidity risks to businesses and supports working capital was also seen to be important – particularly in the context of COVID-19 and the challenging period businesses are currently operating in. Alongside this, policies that reduce energy prices and business rates were also identified as areas that would help to reduce costs and enhance profitability and competitiveness.

# 6 Implications and actions

## 1 Introduction

With the proximity of the 31<sup>st</sup> December 2020 it is critical that this report prompts action. This can not be 'research for research's sake'. The quantitative and qualitative analysis presented in the proceeding chapters has underlined both the scale of the challenge and the need to take action. This final chapter seeks to support this process by summarising the key implications from the work before setting out some of the key actions for both local authorities and businesses.

## 2 What do we know from our work?

### **Both a Deal and No Deal will significantly impact Welsh exports**

The econometric analysis showed that a 'No-Deal' scenario could reduce total exports by 19% - a loss of £3.5bn in export revenues. While a 'Deal' scenario would see a reduction of 6% - a loss of £1.1bn in export revenues. These impacts would be most profoundly felt in the Manufacturing sector and as a result of this the spatial impacts would be more pronounced in those regions with strong manufacturing basis such as Flintshire and Wrexham.

### **Similarities between Deal and No Deal**

Regardless of whether a deal is reached the UK is set to leave the Single Market and the Customs Union. A Free Trade Agreement would still represent a significant change in the UK-EU trading relationship. This means that for most businesses, the steps they need to take to prepare for the EU transition are the same in a 'Deal' scenario as they are in 'No-Deal'.

Should a deal be agreed the major benefit for organisations will be the removal of tariff-barriers between UK-EU trade and the potential continuation of non-tariff trade easements.

### **General lack of preparation**

2020 has been a difficult year. The combination of responding to a global pandemic and general EU transition fatigue has meant that many organisations have not done as much preparation as they would have liked.

The guidance has also changed. In 2020, new details have been published on both sides of the channel. No Deal technical notices, Tariff Schedules, Immigration regimes and Border operating plans have all been updated and amended this year. Many businesses were unaware of the changes, and therefore unaware that planning on these assumptions was now inaccurate.

### **Confusion over Customs and VAT**

Many organisations are struggling to understand exactly how changes to VAT and Customs will impact them. A deal is thought by many to negate the need for changes – this is not the case. When do tariffs apply? Who pays them? What commodity code should I use? Are all frequent customs questions.

Import VAT is another area of confusion with many businesses not fully aware of their requirements in EU member states.

### **Planning focussed on BAU**

Organisations are looking to do the bare minimum ahead of 2021 and then respond in more detail when the final outcome is known. This means they are focusing on taking the necessary steps to enable them to continue trading 'business as usual' (BAU) in 2021 – regardless of the EU transition outcome. They are postponing decisions around larger restructures (including establishing European operations) until they have greater certainty.

This may mean that full implications of the EU transition are not felt by places for some time – as a ‘slow drip’ of activity out of the UK occurs as operations are restructured.

### 3 Priority actions for Local Authorities

In setting out these actions for local authorities it is acknowledged at the outset that the implementation of some of them may be more appropriate for the Welsh Government or other bodies like Business Wales. We have included them here in part of completeness, but also because we see an important role for local authorities in advocating for and then supporting the delivery of these actions.

It is also acknowledged that COVID-19 has placed unprecedented pressures on local authority officers, services and budget and therefore that some of these actions will be more challenging as a result.

#### Awareness and support

There is a need for further interventions to help organisations understand what changes they need to make and support them with implementation. This could include:

- **Webinars**  
These need to be specific to key areas of change. Broad content and ‘light touch’ commentary are of little use to organisations at this late stage. Detailed run throughs of process changes and new requirements should be the focus. The more interaction that can be added the better – the opportunity to ask questions and get specific answers is invaluable.
- **Utilise business adviser network**  
Business advisers understand local economies and are well placed to get ‘face-to-face’ with a wide range of businesses and support them directly. Where possible, equip them to have EU transition conversations.
- **Funding support**  
Many of the step’s businesses will need to take incur a cost – where possible mechanisms to alleviate the financial burden should be supported. Ahead of previous EU transition deadlines Central Government funded activities to help with preparation, these have been scaled back. Within State Aid rules and regulations, any funding support that can help would be welcome by businesses, particularly given the current working capital pressures they are facing as a result of COVID-19.
- **Partnership working**  
Where possible Local Authorities should look to work together and to pool resources. With COVID-19 pressures absorbing a significant amount of officer time, pooled activities (eg shared webinars) will provide important time savings. For example, could particular local authorities take responsibility – working with the relevant sector body – for providing advice to specific sectors? Could information on tariff and border processes prepared by one authority be shared with others? As part of this the Welsh Government has an important role to play in providing clear and simple advice that the local authorities can use to get out across their networks.
- **Border operating model and tariffs**  
Local Authorities should familiarise themselves with the Border Operating Model, new tariff schedule and work through the implications for their authority from a place and supplier perspective.
- **Analyse the exposure of local business**  
Local Authorities should identify their potential level of exposure based on the data contained in this report thinking about both geographic as well as sector implications. It will be particularly important to consider how Covid-19 will have exacerbated some of these risks. These risks could relate to businesses, people and place. These risks will inevitably be interrelated, for example business risk will translate to people risk if impacts result in job losses; or business risk with increased costs in food and drink manufacture (by way of illustration) translate into increased costs for consumers and impact on levels of food poverty in some of the most deprived communities. Working through some of these scenarios and linkages will be important in helping to provide economic and social resilience.

#### Responding rather than preparing

Given the short time remaining for organisations to prepare for the EU transition, it is important to consider how best to support them to react. The vehicles to support as outlined above may continue to be the right ones but the messaging and focus may change. It may also be a good time to think about whether that support is brought together into a single resource.

Given the scale of the quantitative impacts highlighted in this report there is an important role for individual local authorities, the associated economic partnerships they are part of and even the Welsh Government to think through the scale of impacts identified and what this means for specific places:

- *Which businesses are most likely to be impacted?*
- *How can limited resources be prioritised to maximise value?*
- *What policy options are available to help mitigate potential job and economic losses?*

## Consider the options for longer term economic intervention

Given the scale of the potential economic impacts resulting from reductions in trade, coupled with the effects of COVID-19 – which has simultaneously resulted in significant economic impacts alongside stimulating dramatic consumer and behaviour trends (such as homeworking and digital adoption) – the potential for market failure is profound. There is a role for local authorities in identifying these market failures and designing packages of support and economic interventions that can both address the market failure while also laying robust foundations for longer term economic recovery and growth. Two areas that were repeatedly flagged through the stakeholder consultations related to providing support to businesses to enable them to become more environmentally sustainable and to enhance digital practices, processes and services.

The specific opportunity for intervention and the nature of support required will vary between different places. Therefore, there is a role for local authorities to robustly analyse their place and examine the strengths, weaknesses and opportunities and in doing so identify those areas where investments can be made that will support longer-term economic and social growth:

- *How do my economic plans and strategies need to adapt in light of COVID-19 and the potential trade risks highlighted in this report?*
- *What are the mega-trends that are going to shape the economy over the next 10-15 years, how can I start to support businesses in my area to adapt to these?*
- *Where can I work with other places within the sub-region or across Wales to maximise the economic impact of any planned intervention?*

In considering options for longer term economic intervention better understanding the potential of freeports and the different economic scenarios that may result will be important. This will be true for both those authorities that are hoping to be 'home' to a freeport and to those where the freeport may be located in a neighbouring authority (in either England or Wales). As part of this there is a clear role for the Welsh Government in helping support local authorities in both briefing them about freeports as well as working through the different scenarios. In light of the recent launch of a bidding process around Freeports there is an urgent action for authorities to consider whether to bid on their own or in partnership with others.

In thinking through the different options and strategies it will be important for both local authorities and the Welsh Government to reflect on the recent recommendations from the Welsh Government commissioned report from the OECD on multi-level- governance<sup>35</sup>. This OECD report is far broader in scope than the issues discussed here however a number of the recommendations do play into thinking about longer term economic development objectives, for example the call to: "introduce regional-level development plans"; "ensure coordination between the regional development policy and sector policies with regional logic and goals"; or "adopt the proposed Framework for Regional Investment and use it to support investment initiatives across sectors and among levels of government". The trade impacts presented in this report could therefore provide important sub-regional evidence to inform the discussion and debate on these issues.

<sup>35</sup> OECD (2020) The Future of Regional Development and Public Investment in Wales

## 4 Areas for businesses to focus on

In the run-up to 2021, Local Authorities should encourage businesses to focus on the four key areas below. The main area businesses are likely to need support is with compliance. There are a number of new rules and processes that will be introduced in a short time frame. Businesses lack clarity on exactly what these are and how they will be applied. Any guidance or support in understanding the changes would be beneficial – for example: detailed guidance on how changes to the border operating processes will impact on current operations.

### Compliance

*Is all your paperwork up to date?*

The regulatory landscape will change. Ensure that business's products and services comply with the new rules and processes. Including:

- o Customs checks and documentation
- o New VAT processes for exports throughout supply chain
- o Product standards conformity testing for exports into the EU
- o Data and GDPR safeguards
- o Food and beverage labelling for UK exports into the EU

### Continuity

*Can you continue to operate and serve customers?*

Make sure organisations mitigate the chances of any disruptions post-transition and any wider economic uncertainty.

This may be through:

- o Retaining the current workforce – where possible avoid losing staff (e.g. to competitors) at this key time. Consider how you can make yourself an attractive employer e.g. through offering non-cash benefits
- o Re-evaluating, post pandemic, financial break even points and knowing what needs to be done to keep afloat
- o Reviewing stock levels
- o Engaging with suppliers and customers
- o Reviewing any vulnerability throughout supply chain and customers, especially in light of the Covid-19 pandemic.

### Cost

*Can you reduce costs and free up cash?*

With the economy disrupted significantly businesses need to think now about the ongoing impact this will have, and actions they can take in response.

Other areas to consider include:

- o Decrease discretionary spends
- o Tighten debt management – chase outstanding bills and try to pay off any unsettled debts
- o What have you learnt from managing cash flow throughout the pandemic? Can this be taken forward into 2021?

### Communication

*Have you spoken to everyone you need to?*

Communication is vital. This may be through engaging with accountants, investors or your bank, supply chains, employees, or customers.

This will help mitigate disruption and build business strength in a period of political and economic volatility.

Use the current Covid-19 disruption, and the prospect of different challenges as we approach 2021, as an opportunity to reach out, identify any possible problems and build solutions ahead of time.

# 7 Appendix A – literature reviewed to develop the Gravity Model

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# Appendix B – organisations consulted

<b><i>Local authorities</i></b>
Vale of Glamorgan
Isle of Anglesey
Cardiff
Newport
Flintshire
Pembrokeshire
Swansea
<b><i>Port authorities</i></b>
Port of Mostyn
Milford Haven Port Authority
Stenaline
ABP ports
<b><i>Sector bodies</i></b>
MAKE UK
UK Steel
Aerospace Institute of Technology
Welsh Automotive Forum
Food and Beverage Federation
<b><i>Businesses</i></b>
Pendyrn Distillery
GE Aviation
Castell Howell

It should be noted that in some instances multiple people were interviewed in some organisations either in the same interview or in separate consultations with different teams or departments.

# Appendix C – Topic Guides

## Local authorities

- Please provide an overview of your role at the local authority.
- What is the role that trade and in particular the port plays in the local economy?
- What do you see as the key risks relating to Brexit for the port and for your local economy – are the two linked?
- Do you see any opportunities relating to Brexit for the port and for your local economy – are the two linked?
- What are your views on 'Freeports'? What are the risks and opportunities?
- In terms of our analysis and the recommendations that follow would you like these to be Wales wide, specific to each port or a mix of the two? Please explain why?
- Would it be ok to follow up if other points arise throughout our work?

## Port authorities

- Please provide an overview of your role at the Port.
- What is the nature of the Port? E.g. freight movement, leisure, fishing or renewable energy?
- What is the main type of good that the Port primarily deals with?
- What is the flow of goods from the Port, if any?
- What role does the Port play in the local economy?
- Do you have any views on how Brexit will impact the Port activities? Do you see any opportunities arising?
- In terms of additional border checks and controls that may arise from Brexit do you have any particular concerns?
- In what ways could the local authorities/Welsh Government provide support to mitigate the risks
- How do you see the Northern Ireland Protocol impacting Welsh ports?
- What's your view on Freeports? Is your Port intending to bid to be a Freeport? If so, what are the benefits you see?

## Sector bodies/businesses

- Please provide an overview of your role within your organisation.
- What risks to your sector does Brexit pose?
- In this context how significant are trade risks?
- What are the specific issues around trade that make it risky/less risky?
- To what extent is Wales more or less exposed to this risk than the UK?
- Do you think there could be any opportunities for your sector associated with Brexit?
- How has Covid-19 impacted trade within your sector?
- What support would help your sector in responding to these trade risks? (From UK government, Welsh Government, Local Authorities)
- How prepared are businesses in your sector for responding to these risks?
- Does preparedness vary by size, sub-sector, exposure to trade impacts etc?
- What would help them to better prepare?
- What is the current thinking around the Northern Ireland protocol in your sector?

- What is the current thinking around Freeports in your sector?



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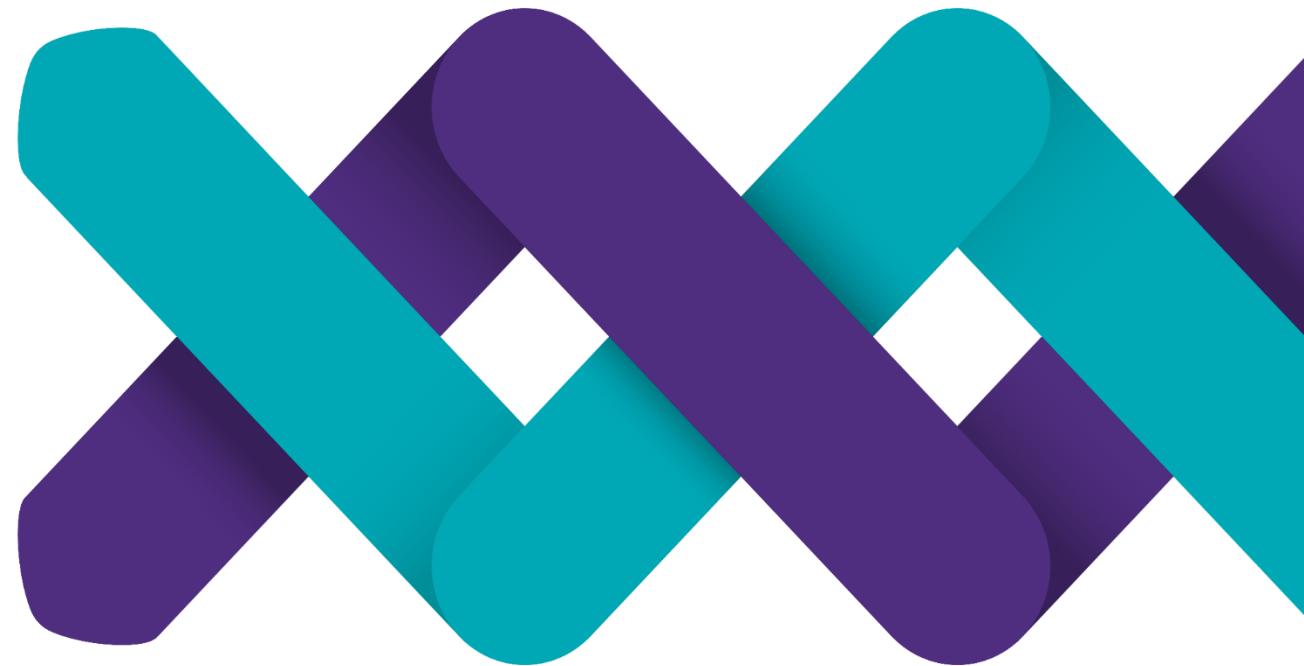
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# Local Authority EU Transition Exposure Dashboards

## Vale of Glamorgan

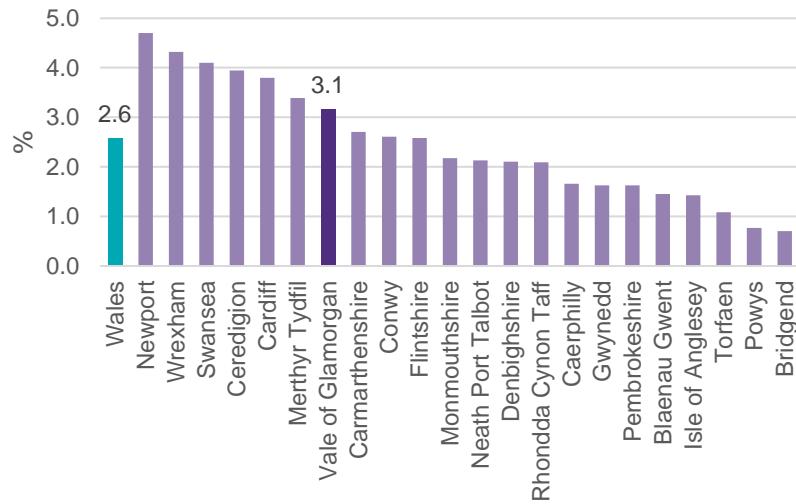
2020 update



# Vale of Glamorgan. People

## EU residents

Proportion of population that are non-UK EU born residents



## Long-term international migration

'Net migration' shows how many more people are coming to live in the UK than leaving the UK to live abroad

### Net migration (total)

Wales: 7,812  
UK: 230,514



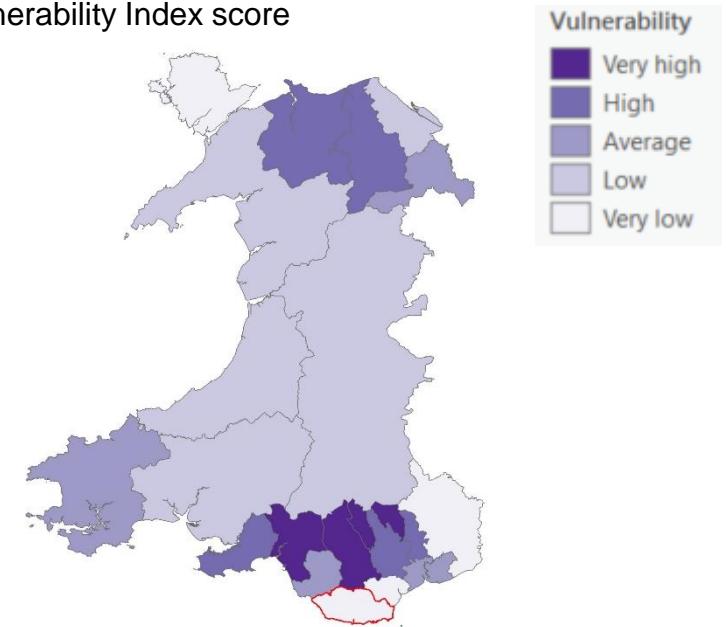
### Net migration (per 1,000 pop)

Wales: 2.5  
UK: 3.5



## Community Vulnerability Index

Vulnerability Index score



## Skills

"Those with fewer formal qualifications, are more likely to be employed in the most exposed industries"

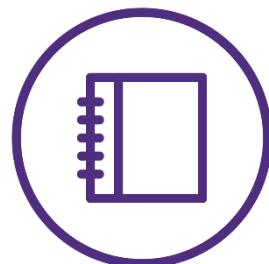
Institute of Fiscal Studies, 2018



### No qualifications

Vale of Glamorgan: 5.2% Vale of Glamorgan: 12.3%

Wales: 8.5%  
UK: 7.9%

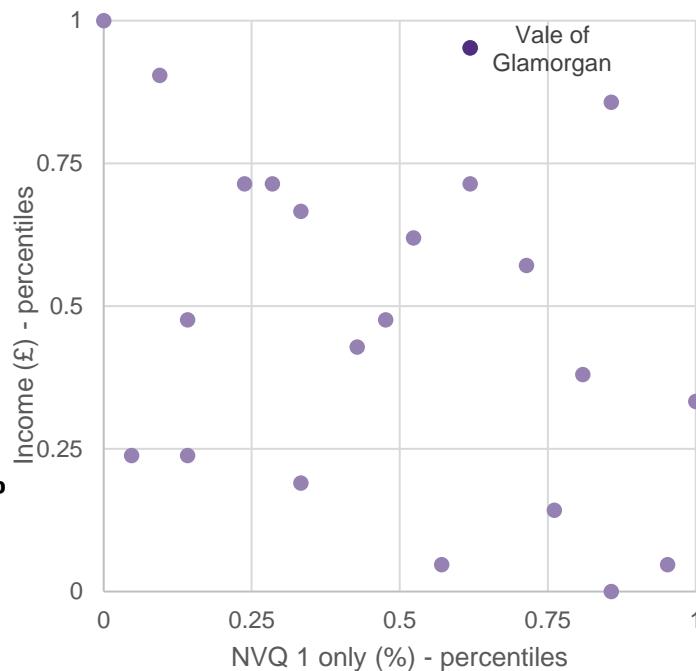


### NVQ 1

Vale of Glamorgan: 12.3% Vale of Glamorgan: 5.2%

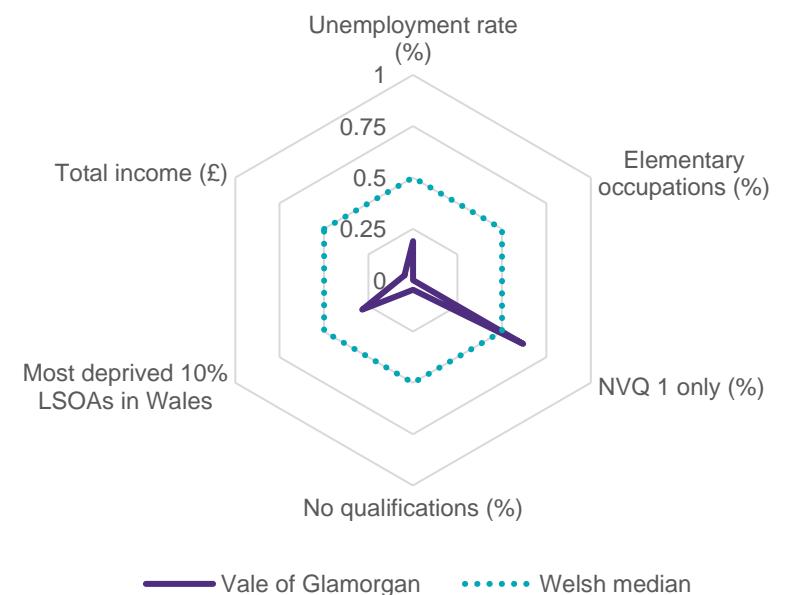
Wales: 11.2%  
UK: 9.9%

## Low skills vs. Income



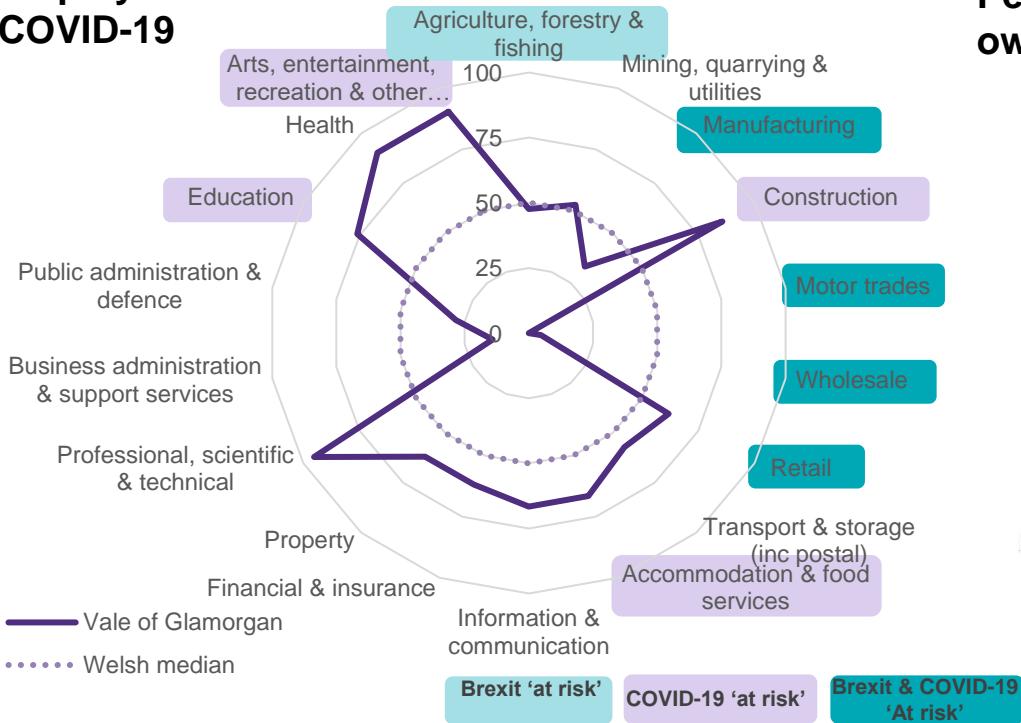
## Community Vulnerability Index Profile

Larger the shape, the higher the vulnerability

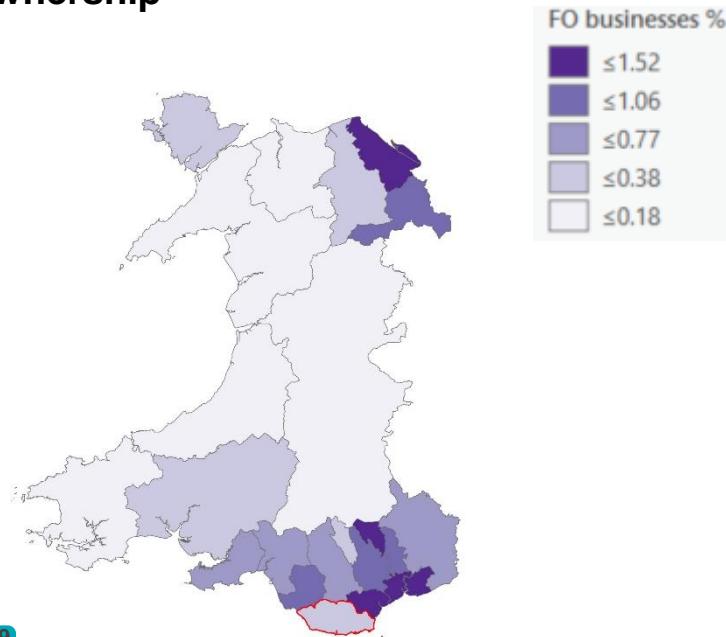


# Vale of Glamorgan. Economy

## Employment sectors – At risk from the Brexit and COVID-19



## Percentage of all businesses with foreign ownership



## Gross Value Added per job

**GVA per filled job**  
**Vale of Glamorgan: £53,406**  
 Wales: £46,132  
 UK: £56,387



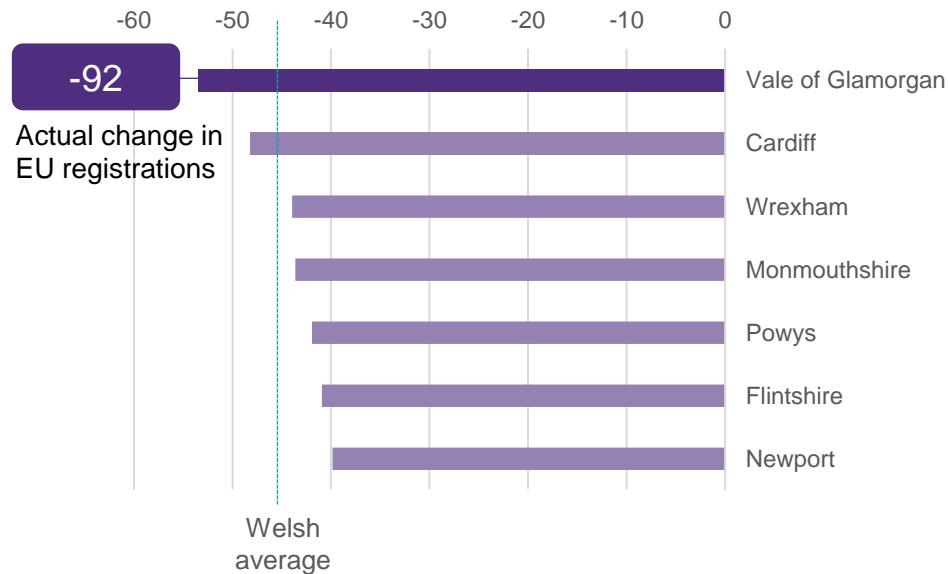
**Rank out of 22**  
**Welsh authorities...**



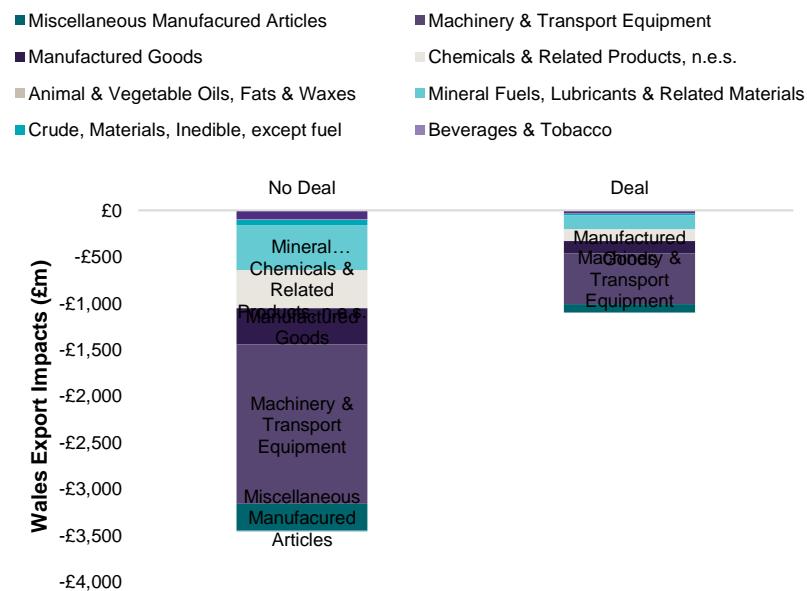
## National Insurance Number (NINo) registrations

47% reduction in EU registrations between June 2016 and June 2020 across the UK

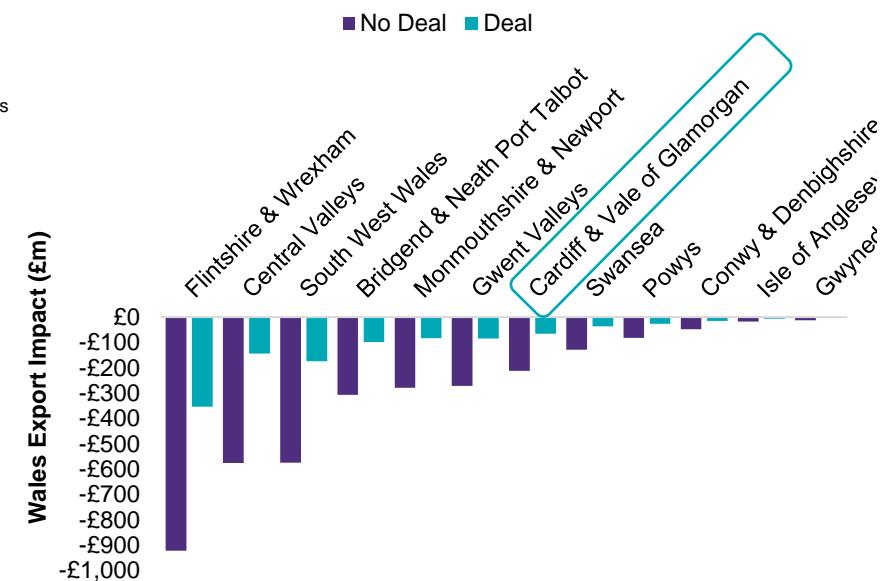
% decrease



## Export impact value ('No-deal' & 'Deal') by SITC codes, Wales, (Annualised, £m)



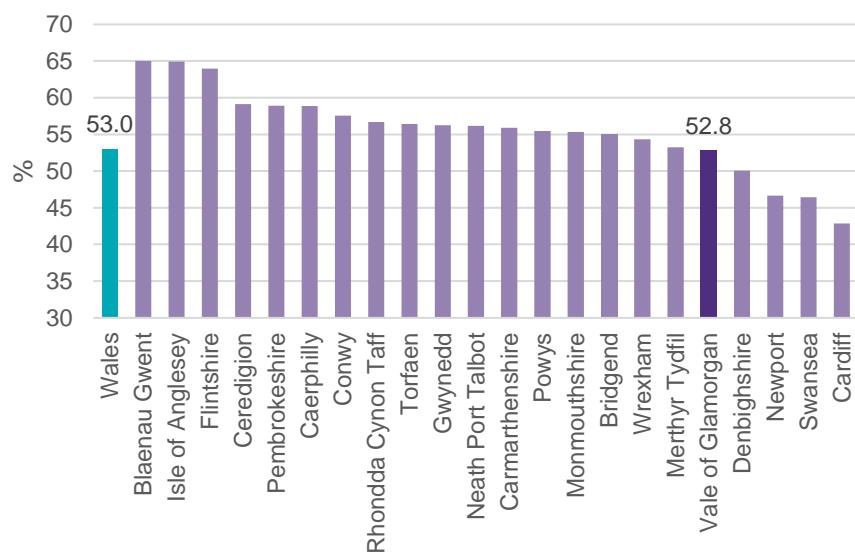
## Total Export impact value by Welsh NUTS3 Regions (Annualised, £m)



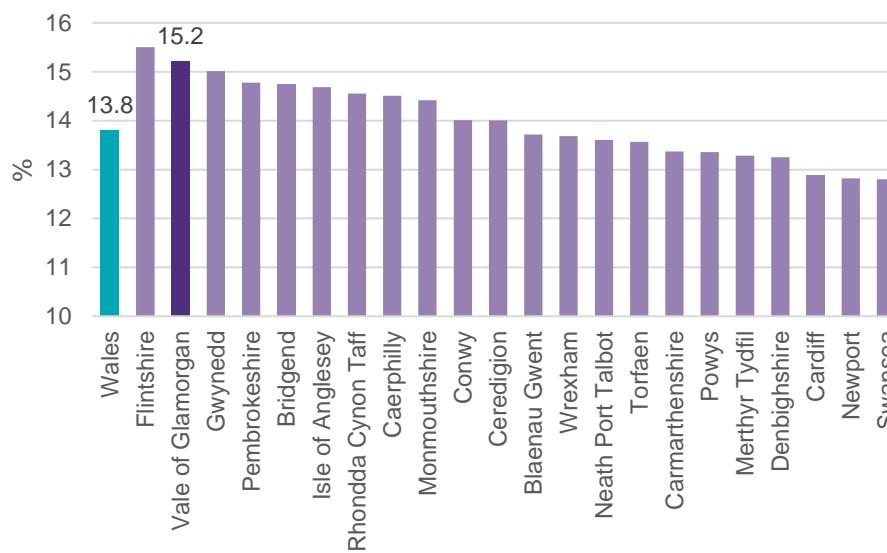


# Vale of Glamorgan. COVID-19

**Percentage of employment in COVID-19 'at risk' sectors**



**Estimated decline in total annual GVA resulting from COVID-19**



**Government support take-up rate**

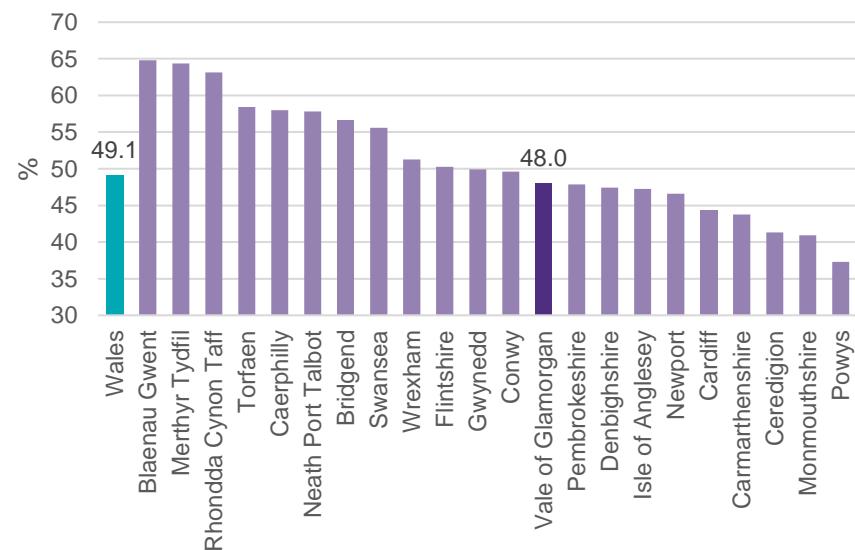


**Coronavirus Job Retention Scheme**  
**Vale of Glamorgan: 29%**  
 Wales: 31%  
 UK: 32%



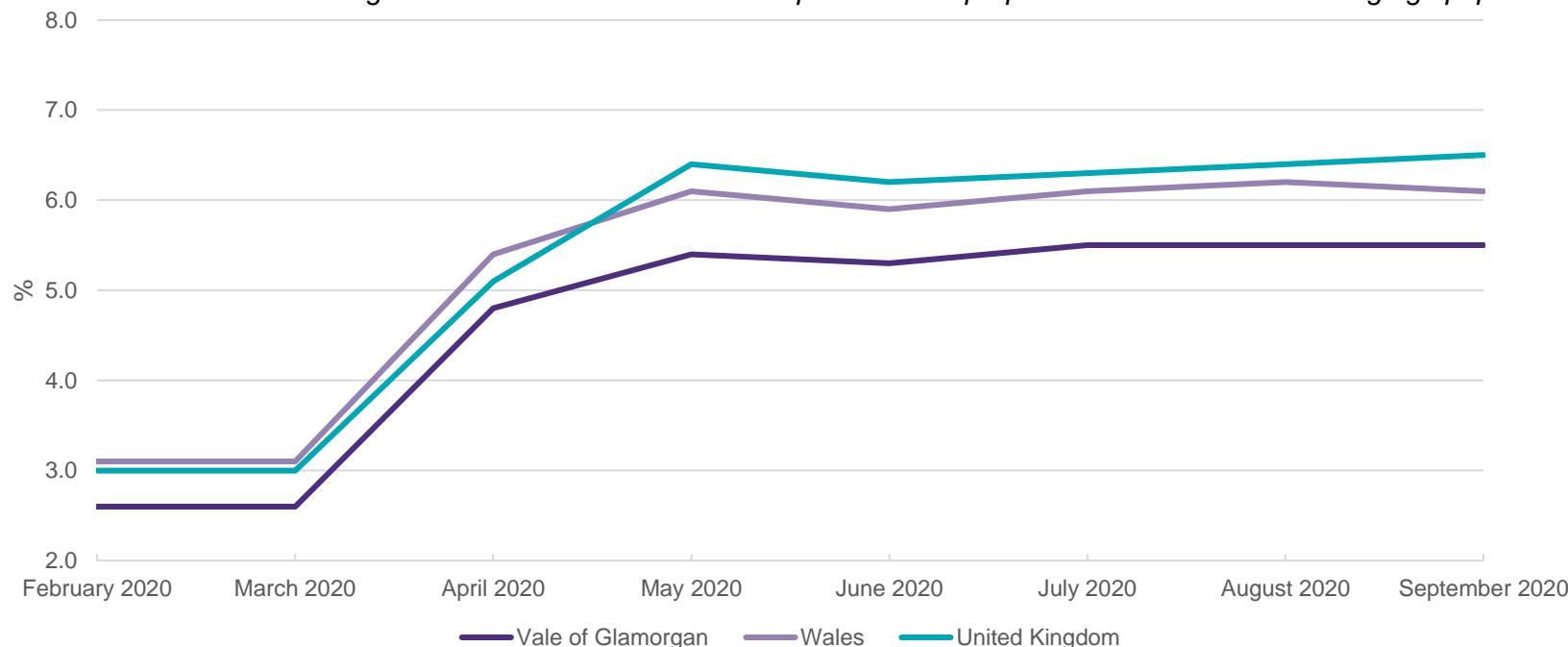
**Self-Employment Income Support Scheme**  
**Vale of Glamorgan: 79%**  
 Wales: 78%  
 UK: 77%

**Percentage of businesses in COVID-19 'at risk' sectors**



**Claimant rate (Feb 2020 to Sept 2020)**

The number of people claiming unemployment related benefits in the UK reached 2.7 million in September, an increase of 1.5 million since lockdown began in March. The rate below is expressed as a proportion of the resident working age population.

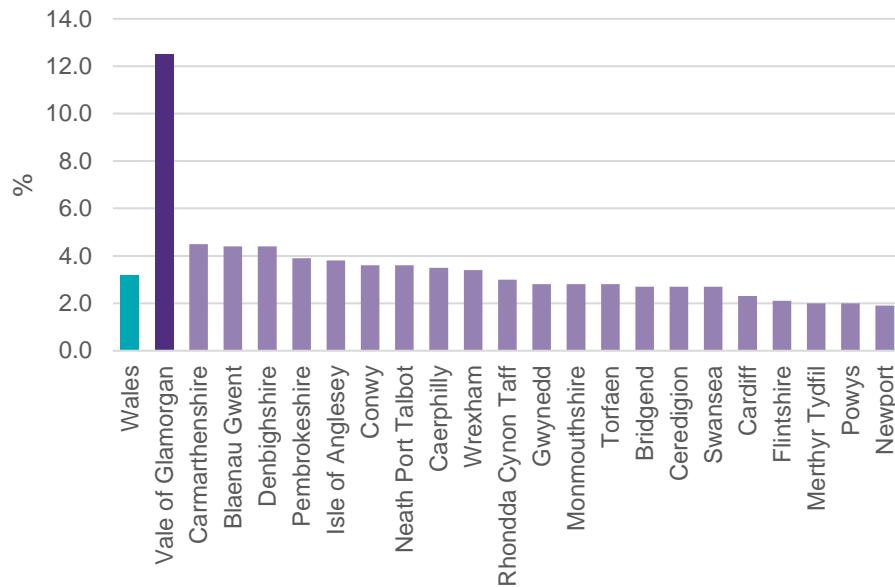




# Vale of Glamorgan. Social care

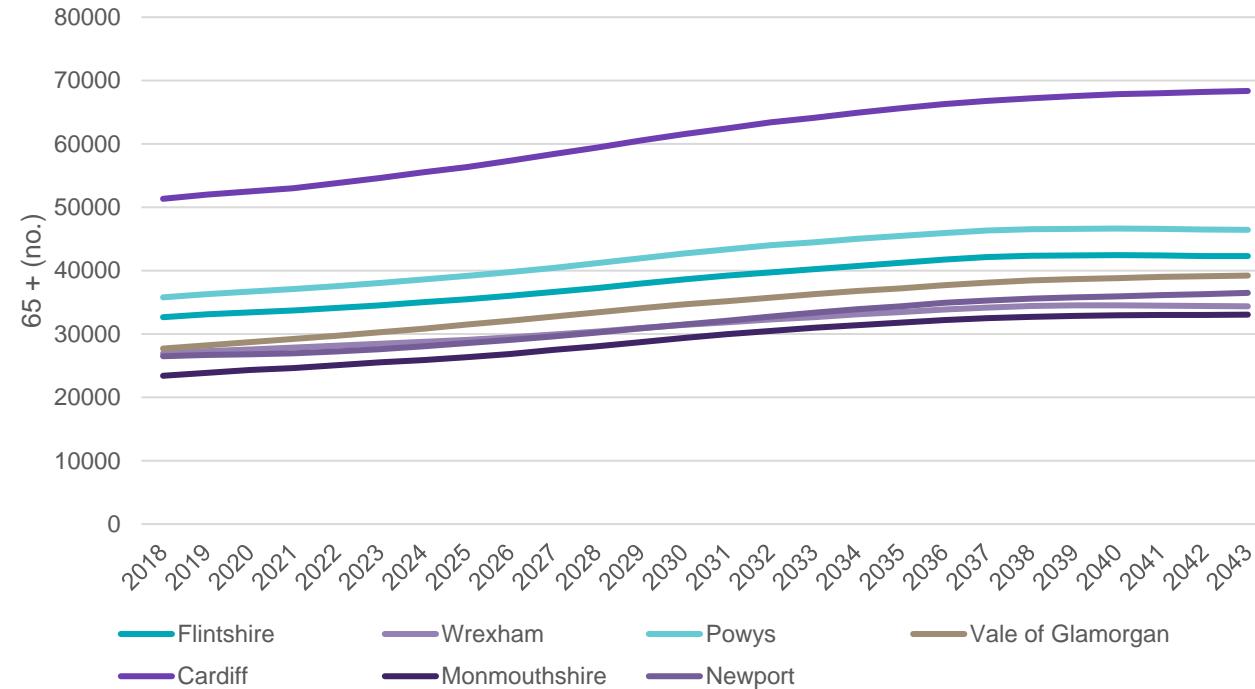
## Residential care activities

Proportion of total employees working in residential care activities



## Projected population aged 65 and over

Projected population aged 65 years and over up to 2043



## Residential care activities

Total number of employees working in residential care activities (East Wales authorities)

Rank	Local authority	Employees (no.)
1	Vale of Glamorgan	5,000
2	Cardiff	5,000
3	Wrexham	2,000
4	Flintshire	1,500
5	Newport	1,500
6	Monmouthshire	1,000
7	Powys	1,000

- Employment in residential care activities accounts for over 12% of total employment in the Vale of Glamorgan, which is well above the Welsh average (3.2%) and is the highest figure of all Welsh authorities.
- The number of employees in this sector is also very high, totalling 5,000, which is the joint highest with Cardiff.
- The projected population aged 65 and over is important to consider, given the pressure that this age group could place on care services in the future. Between a 2018 baseline and 2043, the population aged 65 and over is projected to increase by 41.6% which is the highest rate of increase in East Wales.



# Vale of Glamorgan. Summary

## Key findings

- Compared to other authorities in Wales, the Vale of Glamorgan has a relatively high proportion of its population who were born in the EU, at 3.1%, which compares to a Welsh average of 2.6%.
- The Vale of Glamorgan ranks in the bottom 20% on our Community Vulnerability Index, indicating very low levels of social vulnerability to the EU transition.
- The resident population are less exposed to the impacts of the EU transition as they have higher levels of income, lower deprivation and low levels of unemployment.
- The Vale of Glamorgan has experienced the greatest decline in EU NINO registrations of the comparator group, decreasing by 52.5% between 2016 and 2020.
- Relative to other Welsh authorities, the Vale of Glamorgan has very high levels of employment in Construction and Arts, entertainment and recreation which are both recognised as 'at risk' sectors in relation to Covid-19. It also has a high proportion of employment in retail which is 'at risk' in relation to both the EU transition and COVID-19.
- When employment across all COVID-19 'at risk' sectors is combined and benchmarked to the rest of Wales, Vale of Glamorgan has a relatively low proportion of people employed in 'at risk' sectors and an average proportion of businesses in 'at risk' sectors.
- However, the estimated decline in GVA as a result of COVID-19 is predicted to be very high at 15.2% which is the second highest of all Welsh local authorities.
- Whilst claimant rate has risen since March this has remained below the Welsh and UK average.
- Furlough take-up rate in the Vale of Glamorgan has been below average, but self-employment income support take-up rate is just above.

## Key implications

- Although Vale of Glamorgan ranks very low on the Community Vulnerability Index, it is still important for the council to continue to support the most vulnerable communities, particularly in light of job losses and income reduction as a result of COVID-19. The council can play a valuable role in identifying where new vulnerable communities might be emerging.
- As the number of EU NINO registrations has declined significantly in Vale of Glamorgan, the council should assess how these levels of migration impact the local economy. This assessment should consider the economy's scale, strengths, weaknesses, key sectors and productivity. This will assist you to understand the local exposure to the EU transition by sector and intervene or offer reassurance and support where necessary.
- Given the very high proportions of employment in retail in Vale of Glamorgan, the council should seek to understand the risks this could bring to the local economy post-the EU transition. These risks could relate to businesses, people and place and will inevitably be interrelated. Working through some of these scenarios and linkages will be important in helping to provide economic and social resilience.
- Particular focus should also be given to supporting businesses in those sectors most impacted by COVID-19 (Arts, entertainment and recreation and Accommodation & food services) where the management focus will have been on survival rather than preparations for the EU transition.
- A stand out indicator for the Vale of Glamorgan is employment in the residential care sector, a sector that is known for being heavily reliant on non-UK EU nationals. The council should engage with key suppliers and sectors to assess their resilience and understand their level of exposure and the preparations they have put in place. Once you understand the potential level of impact and any possible contractual position, develop contingency plans and possible alternative procurement options.
- In considering options for longer term economic intervention, better understanding the potential of freeports and the different economic scenarios that may result will be important. This will be true for both those authorities that are hoping to be 'home' to a freeport and to those where the freeport may be located in another authority (in either England or Wales).



# Data sources

Indicator	Output	Why include?	Source
<b>EU born residents</b>	Bar chart showing proportion of residents that are born in the EU compared to other authorities in the region and the Welsh average.	EU migrants form a crucial part of the economy. In order to understand the potential impacts of changes in migration, it is important to have an overview of what proportion of the current population is made up of EU born residents.	ONS, Population of the UK by country of birth and nationality (Dec 2019)
<b>No qualifications, NVQ 1 only</b>	Factoid showing the proportion of working age residents with no qualifications and the proportion of working age residents qualified to NVQ 1 only.	A study by the Institute of Fiscal Studies found that those with fewer formal qualifications are more likely to be employed in the most exposed industries.	Annual Population Survey (Dec 2019)
<b>Community Vulnerability Index</b>	Thematic map showing overall performance on the 'Community Vulnerability Index' relative to the rest of Wales. Spider chart showing how the area performs on the individual measures, relative to the national median. All figures have been converted into percentiles to display in this way.	Our 'Community Vulnerability Index' takes into account factors which are most likely to impact on a place's ability to adapt in a post-Brexit world, including unemployment, low skills, low level occupations, no qualifications, income and deprivation. NB: Income has been inversed in the spider chart so that a point towards the outer edge of chart indicates lower income levels.	Annual Population Survey (June 2020, Dec 2019); Survey of Personal Incomes (2018); Welsh Index of Multiple Deprivation (2019);
<b>Long-term International migration</b>	Factoid showing net long-term international migration	Changes to the free movement of people could have significant impacts on international migration into areas.	ONS, Local area migration indicators, UK (2019)
<b>National Insurance Number (NINo) registrations</b>	Bar chart showing how the proportion and number of new EU registrations has changed between the referendum and now.	NINo numbers are often used as an indicator for the number of migrants moving into a geographical area for work. This is an important consideration given the contribution that EU workers make to the economy.	NINo registrations to adult overseas nationals entering the UK by Region / Local Authority and world region - registrations year to June 2020, DWP (June 2020)
<b>Employment sectors</b>	Spider chart showing employment levels in each of the Broad Industrial Groups (18 sectors in total). Percentage figures are converted to percentiles in order to be displayed on the spider chart. The performance of a local authority is therefore relative to all other Welsh local authorities, with the 50 line representing the Welsh median. A point towards the outer edge of the chart indicates that the local authority has a high proportion of employment in this sector relative to other Welsh authorities. This helps to highlight sector specialism.  Sectors have also been colour coded to show whether they are 'at risk' in relation to either Brexit, COVID-19 or both.	Some employment sectors are more vulnerable to the impacts of Brexit and COVID-19, therefore it is important to understand which sectors are most prominent and whether these are any of these are high risk.	Business Register and Employment Survey (2019)
<b>Foreign Owned businesses</b>	Map showing the proportion of businesses that are foreign owned.	High dependence on foreign owned businesses could pose a risk as there is uncertainty as to whether some of these businesses will remain within the UK or relocate.	FAME, Bureau Van Dijk (2019)
<b>GVA per filled job</b>	Factoid showing GVA per job compared to the Welsh and UK average along with a rank to show how the local authority performs relative to all other Welsh authorities.	GVA per filled job provides a direct comparison between the level of economic output and the direct labour input of those who produced that output. The level of productivity is useful to consider as it is a current weakness in the UK economy and may be further hindered post-Brexit.	Nominal (smoothed) GVA (B) per filled job (£); Local Authority District (2018)
<b>Trade impacts</b>	Bar charting showing the total Export Annualised Impact in a Deal and No deal scenario by Welsh NUTS 3 Regions (£m), NUTS 3 Regions	It is important to consider the scale and nature of the trade impacts that could result under both a 'Deal' and 'No Deal' scenario. This will vary by region, which is reflective of both the exporting intensity difference between areas as well as the differences in their sectorial composition.	HMRC & Grant Thornton Analysis. Note: The data doesn't include the impact on WA BTTA, WA Energy exports & WA Other

# Data sources (cont.)

Indicator	Output	Why include?	Source
<b>Employment in COVID-19 'at risk' sectors</b>	Bar chart showing percentage of employment in COVID-19 'at risk' sectors compared to the Welsh average.	The sectoral make-up of areas will have a strong influence on the economic impacts of COVID-19. For example areas with a high proportion of the workforce employed in accommodation and food services will be more heavily impacted than area with high levels of professional and technical workers. .	GT calculation based on: Business Register and Employment Survey (2019)
<b>Businesses in COVID-19 'at risk' sectors</b>	Bar chart showing percentage of businesses in COVID-19 'at risk' sectors compared to the Welsh average.	The sectoral make-up of areas will have a strong influence on the economic impacts of COVID-19. For example areas with a high proportion of the workforce employed in accommodation and food services will be more heavily impacted than area with high levels of professional and technical workers.	GT calculation based on: UK Business Counts (2020)
<b>Estimated decline in total annual GVA resulting from COVID-19</b>	Bar chart showing estimated percentage reduction in annual GVA under COVID-19 scenario. The modelled GVA data is based on OBR output losses by sector in 2nd quarter of 2020. A higher figure indicates greater vulnerability.	The level of productivity is useful to consider as it is a current weakness in the UK economy and may be further hindered post-Brexit. The economic productivity of sectors will vary between areas and therefore it is important to consider the knock on impacts of COVID-19 on GVA alongside employment risks.	GT calculation based on: ONS, Regional gross value added (balanced) local authority by NUTS 1 region: UKL Wales (2018) and OBR output losses table
<b>Coronavirus Job Retention Scheme (CJRS) take up rate</b>	Factoid showing take up rate relative to Welsh and UK average.	Certain sectors have been more heavily impacted by COVID-19 than others and as a result a high level of employees have had to be put on furlough. This measure therefore gives an indication of the immediate impacts that COVID-19 is having on local areas.	ONS, Coronavirus Job Retention Scheme (CJRS) Statistics: August 2020
<b>Self-Employment Income Support Scheme (SEISS) take up rate</b>	Factoid showing take up rate relative to Welsh and UK average.	Research has shown that self-employed people are more at risk to the economic impacts of COVID-19. This new dataset gives an early indication of the level of self-employed people in an area who are requiring support.	ONS, Self-Employment Income Support Scheme (SEISS) Statistics: August 2020
<b>Claimant count rate</b>	Line chart showing the change in claimant count rate for the local authority compare to the Welsh and UK average. The rate is expressed as a proportion of the total resident working age population.	Claimant count data is a timely dataset that can be used to see how COVID-19 is impacting unemployment levels in different areas.	Claimant count (Sept 2020)

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# The EU transition readiness toolkit

Preparing for 2021

November 2020



# Preparing for the EU transition

## Deal or no-deal

The UK left the EU on 31st January 2020 and entered into an 11-month transition period during which very little has changed.

As we approach the end of this period, the outcome of negotiations around the future UK-EU relationship remain uncertain.

Local authorities in Wales should plan under the assumption that there will be no extension to the transition period - therefore, on the 31 December 2020 the UK will either:

- enter into a Free Trade Agreement (FTA) with the EU; or
- leave with no trade deal and trade with the EU on World Trade Organisation (WTO) terms.

In both scenarios the UK will leave the Single Market and Customs Union, and end the free movement of people. This means significant regulatory and economic change.

The scope of an FTA, if agreed, is likely to be limited. This means that in most areas the same preparation is required whether an agreement is reached or not.

**Councils must take this seriously and confirm that both they and their respective areas are as prepared as possible.**

In 2018 and 2019, the Welsh Local Government Association (WLGA) published a toolkit for local authorities. This toolkit was designed to provide a comprehensive and consistent approach to support councils in identifying and addressing the local implications of the EU transition. Produced as part of the Brexit Transition Support Programme for Welsh local authorities, the toolkit supported local political and executive decision-makers in understanding the potential risks and opportunities that the EU transition poses, helping them to ask the right questions and put in place robust plans on behalf of their communities and businesses.

In November 2020 we are in the final weeks of the transition period, but much of the uncertainty of recent years remains. At this crucial point, there remains a key role for local authorities in ensuring that local preparedness is at the highest levels.

Given this context, the previously prepared Brexit Toolkit has been updated based on the latest available information. It should be read alongside the national guidance provided by the Welsh Government: <https://gov.wales/preparing-wales>

The following pages:

- Focus on the absolutely critical areas for preparation;
- Provide immediately actionable advice; and,
- Signpost to further resources and guidance, including the previous toolkit

As with previous versions of the toolkit, this document focuses on three areas where the EU transition is likely to have the most significant impact:



### Your organisation

Whatever the outcome, there are likely to be short- and long-term implications for the people working for your council, the funding streams relied upon to provide valuable local services and changes to the legal and regulatory frameworks within which you operate.



### Your services and suppliers

Councils provide essential public services and play an integral role in local marketplaces. They must understand the potential impacts of the EU transition on core services and the risks within their supply chain. Once the risks and opportunities have been identified, local authorities can develop contingency plans, identify critical decisions and manage risks.



### Your place

Finally, local authorities need to be alive to the impact the EU transition may have on local economies, the continued uncertainty around funding streams previously available through the EU and new opportunities potentially available for further devolution. These factors will shape communities for years to come, and it will fall to local authorities to foster the social cohesion and leadership necessary for communities to live, work and thrive as the UK redefines itself outside the EU.

# EU transition on 31 December 2020

## What has changed?

2020 has brought much change.

A global pandemic was preceded by the agreement of the withdrawal agreement that saw the UK leave the EU formally in January. During the past 11 months, further details on the EU transition have been released on both sides of the Channel.

Below are some of the key developments from 2020.



### Tariffs

The UK announced new tariff schedules that will come into force in January. The UK Global Tariffs will apply to countries with which the UK does not have a trade agreement with.

It is important to note that these are significantly different to the previous draft tariff schedules announced in 2019. These tariffs have huge implications for exporters and importers in your area



### Immigration regime

Further details around the new points-based immigration regime have been released. The new thresholds represent a reduction on previous versions which should help businesses looking to recruit foreign talent. This regime will impact on your own suppliers and employers within your area.



### Border operating policy

The government released details on how the border with the European Union will work after the end of transition.

The changes will be phased in during the first six months of 2021 – across three key dates:

- **January 2021** – initial implementation of new paperwork and registrations
- **April 2021** – introduction of measures relating to Products of Animal Origin (POAO) or regulated plant and plant product
- **July 2021** – full implementation

These changes will have notable impacts for areas that contain ports or other points of entry.



### No Deal protocols

During 2020 the UK Government and European Commission have updated their guidance on what happens in the event of No Deal. This has meant the removal or changing of previous notices as well as the creation of new ones.

It is therefore important to check that guidance that may have formed the basis of previous EU transition plans remains accurate and that updates have been communicated effectively.



### Covid-19 and its economic impact

The global pandemic – and the measures announced in response – has seen the UK economy shrink.

Ongoing economic uncertainty has contributed to a period of low business investment and will have distracted many businesses from the need to prepare for the EU transition.

Businesses may be stretched as revenues have fallen and cash reserves been depleted, making them less resilient to any further shocks.

Rules on lockdown and isolation, as well as potential absences from work through illness may all combine to make responding to the EU transition more challenging.



### New political environment

The make-up of Westminster changed significantly following the General Election in 2019. There is no longer a safe majority against No Deal.

While the Chancellor has sought to protect economies, delays to the Spending Review will continue to lead to uncertainty over government revenue streams.

# EU transition Preparedness Toolkit

## Preparing for 2021



### Your organisation

From people to finance, Welsh local authorities must ensure that they understand the potential impacts of the EU transition on their own organisations.

EEA citizens currently living and working in the UK will have a right to remain regardless of a deal being reached; this should support retention of EU citizens in the workforce, although retention could also be affected by a weak pound and broader perceptions of the UK as a place to live and work. The UK Government has committed to ending EU free movement of people from 2021 and will introduce a points-based system which may impact future recruitment.

Although the UK government has extended a guarantee that covers all projects which would have been funded by the EU under the 2014-2020 programme, councils need to identify which projects and programmes are dependent on this funding and begin to assess alternative funding streams and create a gap analysis for future requirements.

The economic fall-out from Covid-19 will already be stretching demand for some services and may be contributing to lower income to local authorities. The EU transition is likely to exacerbate these issues as well as increasing costs in other areas such as trading standards.

Actions to take <b>before</b> 31 December 2020	Completed (Y/N)
Ensure that business continuity functions and local resilience forums are actively planning and maintaining readiness for both a no deal and a deal outcome.	
Confirm how many of your employees are (non-UK) EU citizens (or have family members) and ensure that they all know that they have a right to remain in the UK and know how to <a href="#">apply</a> .	
Assess the capacity that you will need to manage the end of the transition period. Currently the new rules are due to come into force at 11pm on the 31 December 2020, which coincides with the Christmas holidays. There may also be additional disruption caused by Covid-19. Ensure that you will have the ability to respond to unforeseen events.	
Ensure that civil contingency plans are adequate, understood, resourced, and that effective communication and coordination is in place between local partners.	
Ensure that your strategic financial planning reflects reasonable scenarios on the combine impact of the EU transition and Covid-19 and that contingency plans are in place to protect your financial resilience.	
Consider implications for data security, handling and transfer and ensure that appropriate safeguards are in place. This includes keeping under review where your data and particularly your personal data is held and updating business continuity plans in case access to data is lost.	
Continue to explore with partners the scope to collaborate over broader areas on risk assessment, planning and civil contingencies.	
<b>Actions to take <b>after</b> 31 December 2020</b>	
Employers may find they need new or different skills in their workforce as a result of the EU transition and Covid-19. In light of the EU transition, this could comprise training in new processes across the workforce (e.g. regulatory changes) or the development of deeper skills in highly specialised areas (e.g. customs administration).	
There is a risk of increased staffing costs if wages are inflated because of skills shortages or other policy changes. Keep the cost of your workforce under review and ensure that your offer is competitive.	

#### Key resources and additional information:

- [Government guidance on applying for EU settled status](#)
- [Details on new points based immigration system](#)
- [Government guidance on workplace rights after Brexit](#)
- [Brexit guidance from the UK Information Commissioner's Office](#)
- [Steps to keep data flowing between the EU and the UK](#)

# EU transition Preparedness Toolkit

## Preparing for 2021



### Your services and suppliers

#### All suppliers will be affected by the EU transition.

You need to ensure resilience and EU transition readiness throughout the whole length of your supply chain and across all your services to ensure business continuity. This should cover direct delivery, outsourced services and goods and supplies.

You should assess and monitor any 'at risk' suppliers: a combination of Covid-19 and EU transition related challenges may mean some are facing cashflow problems and could experience severe financial difficulties or even failure.

Suppliers may face rising costs and seek to increase prices; you should consider where the most exposure may be and how you manage this.

Procurement rules will change, as the UK leaves the OJEU (Official Journal of the European Union) procurement process. Services and suppliers will need to adapt to new administrative rules and may experience shifting patterns of demand.

Actions to take <b>before</b> 31 December 2020	Completed (Y/N)
Refresh your view of critical suppliers throughout the whole length of your supply chain in light of the latest developments and the impact of Covid-19 and ensure you remain satisfied with their business continuity arrangements.	
Consider holding supplier events within key categories to ensure that your needs are communicated; that suppliers can be briefed on key areas of preparation; and that experience and best practice can be shared.	
Outsourced services: ensure providers have robust EU transition plans and can guarantee business continuity and compliance with post-the EU transition regulatory changes.	
Ensure your council has access to essential items such as food, toilet roll, personal protective equipment (PPE) and road grit and agree mitigating actions for supply failure, identifying alternative suppliers if required.	
Review your procurement pipeline and consider how changes in procurement regulations may affect your plans. Consider whether changes such as extending existing contracts or delaying procurements may be prudent.	
Complete a risk assessment of potential impacts on core services and statutory responsibilities, for example <a href="#">social care</a> , regulatory services and transportation. For services like social care which are under increased pressure because of Covid-19 consider how further resources could be provided or needs met differently.	
Get ready for future regulatory changes impacting delivery across areas such as: <ol style="list-style-type: none"> <li>i. <a href="#">Data protection</a></li> <li>ii. <a href="#">Regulating chemicals (REACH)</a>:</li> </ol>	
Actions to take <b>after</b> 31 December 2020	
Consider your long-term strategy in light of the inevitable societal and economic changes brought about by events in 2020. What is the role of your authority in managing transition and recovery and how does that change your operating model?	

#### Key resources and additional information:

- [Government guidance on public-sector procurement after a no-deal Brexit](#)
- [Government guidance for adult social care providers on how to prepare for Brexit](#)

# EU transition Preparedness Toolkit

## Preparing for 2021

### Your place

Welsh Local government will continue to ensure the wellbeing of communities, grow local economies and maintain healthy and representative local democracies. Helping residents and businesses prepare for departure from the EU is a key part of this role in the short term.

The long-term economic consequences of the EU transition are still heavily disputed, though the majority predict a negative long-term impact. HM Treasury has forecast an 8.1% long term reduction in GVA in Wales as a result of a no-deal EU transition. Ultimately, lower growth of Gross Domestic Product (GDP) would be mirrored by lower wages and incomes – impacting the day to day lives of residents.

Over the medium term the economy in Wales has tracked UK economic performance quite closely, but in the short-term Wales is potentially more vulnerable to economic shocks than many other parts of the UK, particularly in terms of the trade impact on exports.

Local authorities across the Wales have been on the front line in managing the impact on their communities and economies from Covid-19, whilst also trying to protect their own financial resilience and capacity to act in relation to the EU transition.

Many of the sectors significantly impacted by Covid-19 are also those that will be adversely affected by the EU transition. This will place significant strain on the local economy.

Actions to take <b>before</b> 31 December 2020	Completed (Y/N)
Many businesses are not ready. Redouble communications efforts to ensure that local businesses are as prepared as they can be. Example of key areas to focus on are included in Appendix A.	
Refresh your understanding of the communities that are most at risk using key social indicators and undertake a qualitative assessment on the risk of social disorder.	
As the deadline approaches, step up public reassurance around management of the immediate impacts such as transport disruption and shortages of key items. This is particularly important in light of similar concerns around Covid-19.	
Refresh your analysis of the exposure of local businesses– particular focus should be given to businesses in those sectors most impacted by Covid-19 where the management focus will have been on survival rather than preparations for the EU transition.	
Continue to support the most vulnerable communities and particularly in light of job losses and income reduction as a result of Covid-19 identify where new vulnerable communities might be emerging	
Risk assess your infrastructure and housing development and regeneration pipeline: funding, access to skills and a potential economic slowdown could all be factors that contribute to vital projects being delayed or stalled.	

Actions to take <b>after</b> 31 December 2020
Consider how best to support businesses as they react to new rules and particularly how you support those who were not ready by 31 December?
Use scenario planning to model how your organisations will respond to different economic outcomes such as another recession or foreign-owned businesses relocating outside the UK.

#### Key resources and additional information:

- [UK Government - Preparing for the end of transition](#)
- [WLGa Regional and Local Authority Brexit Exposure Dashboards](#)
- [Welsh Government guidance on talking hate crime and the community cohesion programme](#)
- [Government guidance on importing, exporting and transporting products or goods after Brexit](#)

## **Appendix A –**

Areas to focus on for Business preparation

# Getting ready for 2021

## Advice for your local businesses

2021 will bring new challenges as the UK finds its feet outside of the EU and recovers from an exceptionally challenging winter caused by Covid-19.

In supporting businesses in planning for the end of transition at the start of next year, activities and advice should focus on four key areas.



### Continuity

Will you be able to continue to operate and serve customers?

Make sure you mitigate the chances of any disruption post-transition and wider economic uncertainty.

This may be through

- Retaining the current workforce and offering non-cash benefits
- Re-evaluating, post pandemic, your financial break even point and knowing what needs to be done to keep afloat
- Reviewing stock levels
- Engaging with suppliers and customers
- Reviewing any vulnerability throughout supply chain



### Compliance

Will all your paperwork be up to date?

The regulatory landscape will change. Ensure that your organisation, products and services comply with the new rules and processes. Including:

- Customs checks and documentation
- New VAT processes for exports throughout supply chain
- Product standards conformity testing for exports into the EU
- Data and GDPR safeguards
- Food and beverage labelling for UK exports into the EU
- Environment and sustainability



### Cost

Can you reduce costs and free up cash?

With the economy set to be disrupted significantly businesses need to think now about the ongoing impact this will have, and actions they can take in response.

Other areas to consider include:

- Decrease discretionary spends
- Identify how to cut around 10% of costs
- Tighten debt management – chase outstanding bills and try to pay off any unsettled debts
- What have you learnt from managing cash flow throughout the pandemic? Can this be taken forward into 2021?



### Communication

Have you spoken to everyone you need to?

**Communication is vital, and is key to any plan. This may be through engaging with accountants, investors or your bank, supply chains, employees, or customers.**

**This will help mitigate disruption and build business strength in a period of political and economic volatility.**

**Use the current Covid-19 disruption, and the prospect of different challenges as we approach 2021, as an opportunity to reach out, identify any possible problems and build solutions ahead of time.**

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## Appendix D – Internal Risk Analysis

Risk area	Likelihood	Impact	Risk score	Level of internal control/influence
Whilst our attention and resources are drawn to immediately address the priorities arising from the pandemic, <b>our capacity to prepare and adapt to forthcoming policy and legislative changes</b> as a result of Brexit could be compromised.	3	3	9 (Medium/High)	Medium
<b>Organisational readiness for potential disruption to data flows</b> from EEA in the event the UK does not secure a data adequacy decision by end of the transition period.	1	2	2 (Low)	Medium
<b>Uncertainties associated with funding situation</b> going forward. No significant further developments on the establishment of a <b>Shared Prosperity Fund to replace EU aid funding e.g. EU Structural Funds.</b>	2	2	4 (Medium)	Low
COVID impacted on our choice of engagement methods. <b>Reliant on key messages to community being disseminated via digital means</b> Twitter, Facebook, Website, Bro Radio.	2	1	2 (Low)	Low
<b>Uncertainty post-Brexit impacts on our ability to attract private sector investment</b> to improve our connectivity (transport/infrastructure and technology), skills investment, innovation, regeneration, housing investment and energy	2	3	6 (Medium)	Low

Risk area	Likelihood	Impact	Risk score	Level of internal control/influence
related projects) and in particular projects/programmes associated with the City Deal.				
<p><b>Workforce availability concerns-</b> Loss of staff from EU countries has the <b>potential to impact on the Council’s operational capacity especially in the health and social care sector</b> that employs a greater proportion of the European workforce. (Please see further information below).</p>	2	2	4 (Medium)	Low
<p><b>Civil contingency planning capacity</b> is already stretched by our response to COVID which would be put under further pressure when the transition period comes to an end. This has the <b>potential to significantly challenge our operational capacity to effectively manage demand and sustain service delivery post-transition.</b></p>	2	2	4 (Medium)	Medium
<p><b>Delays/disruption to distribution of goods/supplies through the supply chain due to increased regulation. This could impact our ability to access/source goods in a timely way, where we are reliant on supplies from EU.</b> E.g. council-owned residential care homes source sanitary products from EU. Issues experienced around the availability of key medical supplies such as PPE during COVID could further aggravate the supply chain concerns post-transition.</p>	2	3	6 (Medium)	Medium/high

Risk area	Likelihood	Impact	Risk score	Level of internal control/influence
<b>Contractual concerns-</b> contracts maybe jeopardised by supply chain issues, rising costs has the potential to cause disruption/delay to major capital programmes. Equally Brexit may further challenge the viability of some providers/contractors to continue to provide a service e.g. externally commissioned social care providers.	<b>3</b>	<b>2</b>	<b>6 (Medium)</b>	<b>Medium</b>
<b>Failure to appropriately support those in the local authority care who are EU nationals</b> through applying on their behalf for the right to remain through the EU Settled Status Scheme.	<b>1</b>	<b>3</b>	<b>3 (Medium/low)</b>	<b>High</b>

#### Further information regarding the workforce:

There are already workforce pressures within this sector, as Hutcheson and Ormston highlight through their survey of social care providers, that 58% indicated they had experienced recruitment difficulties in the last 12 months, with domiciliary care services cited as a particular area of difficulty<sup>1</sup>. There is the risk that the impact of COVID combined with Brexit could exacerbate labour supply issues in the social care sector. This is particularly relevant in the context of the new Government's Immigration Policy that is due to come into force in January 2021. Work undertaken by the Cavendish Coalition (2020) highlighted that 72% of all social care occupations across the UK do not meet the qualification threshold or the salary threshold outlined in the new immigration plans, which they argue could further add to existing workforce recruitment difficulties in this sector<sup>2</sup>. Within the Vale of Glamorgan, it is likely that this workforce risk will not be felt immediately, but will be one that will emerge more gradually post transition.

<sup>1</sup> Hutcheson, L; and Ormston, R (2019). [Research on Implications of Brexit on Social Care and Childcare Workforce in Wales](#). Cardiff: Welsh Government, GSR report.

<sup>2</sup> Cavendish Coalition (2020s). Submission to Migration Advisory Committee on shortage occupation list. NHS Employers. Accessed from: <https://www.nhsemployers.org/case-studies-and-resources/2020/07/cavendish-coalition-submission-to-migration-advisory-committee-on-shortage-occupation-list> on 12th November 2020.

In the context of the Vale of Glamorgan Council's own social care workforce, very small numbers of our employees are EU/EEA/Swiss nationals. Where identified, we have provided support to our employees to apply through the EUSS scheme. We have sought to gain assurance from our externally contracted social care providers regarding their level of preparedness for Brexit and the implications for the workforce. Although our providers have indicated that they have contingency plans in place, we are uncertain as to what proportion of their workforce are EUSS eligible.

## Appendix E– External Risk Analysis

Risk area	Likelihood	Impact	Risk score	Level of internal control/influence
<b>Lack of awareness amongst EU, EEA and Swiss nationals</b> of the deadlines for residing and applying for EUSS scheme.	<b>3</b>	<b>2</b>	<b>6 (Medium)</b>	<b>Medium</b>
<b>Impact of digital exclusion on vulnerable people on their ability to make an application for EU Settled Status.</b> COVID significantly impeded the delivery of face to face support/advice to individuals who have struggled to make applications. E.g. CAB currently only able to offer advice/support online/over the phone.	<b>2</b>	<b>2</b>	<b>4 (Medium)</b>	<b>Medium</b>
<b>Lack of awareness amongst businesses for implications of post transition period</b> (January 2021 onwards) e.g. additional costs, potential delays to supply chain, including processes required under the new <a href="#">Border Operating Model</a> .	<b>2</b>	<b>3</b>	<b>6 (Medium)</b>	<b>Medium/low</b>
Grant Thornton’s initial findings indicate that <b>some SMEs are perceived to be more at risk from the effects of Brexit</b> than Tier 1 or multi-national companies <sup>1</sup> . The CBI estimates that non-tariff barriers are most likely to have an impact than tariffs on competitiveness for smaller companies <sup>2</sup> . ONS data from	<b>2</b>	<b>3</b>	<b>6 (Medium)</b>	<b>Medium/low</b>

<sup>1</sup> Grant Thornton, The impact of Brexit on trade in Wales: Emerging Findings.

<sup>2</sup> [No-deal Brexit; What would ‘WTO’ terms means for UK-EU trade](#), Euro News Article accessed on 22nd October 2020.

2019 on businesses operating in the Vale of Glamorgan shows that 90.5% of businesses are classed as micro businesses (employs 0-9 staff) and a further 8.2% are classed as small businesses (employs 10-49 staff) <sup>3</sup> .				
<b>Loss of staff from EU countries impacting on the wider business community</b> e.g. construction, tourism, hospitality etc. A reduction in labour supply could have a detrimental impact on the local economy. <b>A downward trend in the economy and rising unemployment</b> as a result of COVID, could further compound issues if no trade agreement is reached by the end of transition period.	<b>2</b>	<b>2</b>	<b>4 (Medium)</b>	<b>Low</b>
<b>Rising prices associated with tariffs and new regulatory regime, could have an adverse impact on our most deprived communities</b> and further exacerbating food poverty issues. BBC News noted that the Chief Executive of Logistics UK has warned that 'everyday household items will become more expensive under WTO tariffs' with 'some seeing an increase by 30% or more, as the UK relies on imports for its fresh produce' <sup>4</sup> . There is concern going forward regarding <b>how we can protect the supply chain to ensure that there</b>	<b>3</b>	<b>3</b>	<b>9 (Medium/High)</b>	<b>Medium</b>

<sup>3</sup> ONS data reported in [The Economic Impact of COVID-19 in the Vale of Glamorgan](#)

<sup>4</sup> [Brexit: Cost of everyday goods 'could rise' without a deal, hauliers warn](#), BBC News Article accessed on 26th October 2020

<b>are essential food supplies for those in financial crisis.</b>				
<b>Community cohesion</b> -impact of Brexit on community relations because of greater hardship, deprivation/poverty, unemployment.	<b>2</b>	<b>2</b>	<b>4 (Medium)</b>	<b>Medium/high</b>

**Appendix F – Brexit Impact Assessment Action Plan (November 2020)**

<b>1 - Food Supply Contamination (a major contamination incident)</b>		
<b>Action</b>	<b>Responsible</b>	<b>Update/Comments</b>
Undertake a refresh of training for food safety and hygiene and raise awareness of best practice for storage of foods in residential care settings, day services, school catering and with foster carers.	Trevor Baker	<b>Completed:</b> Guidance document will be sent to school kitchens and social services highlighting awareness of best practice for receiving and storage of foods post BREXIT. HACCP (Hazard Analysis and Critical Control Points) controls will be in place to ensure safety of food being received and stored.
Refresh and redistribute reminder guidance and reprioritise the work programme/inspection regime in relation to high risk areas as a result of Brexit.	Dave Holland	<b>Completed:</b> Guidance has been sent to all businesses exporting and importing food. SRS is utilising a risk-based approach to undertake the inspection programme.
Work with local suppliers to advise/provide guidance on food safety.	Dave Holland	<b>Completed:</b> This is done as a matter of course through the inspection programme.
SRS to review what controls/mechanism need to be put in place in readiness for any changes to the food inspection regime at the ports.	Dave Holland	<b>Completed:</b> The service has increased surveillance in relation to the ports and is working with partners to detect any issues.

<b>2 – Fuel (including gas) Disruption</b>		
<b>Action</b>	<b>Responsible</b>	<b>Update/Comments</b>
Ensure fuel tankers are full and checked regularly in readiness of the end of the transition period.	Miles Punter	
Put in place transport contingency plans.	Miles Punter	
Review and refresh agile/home working policy to enable more of the workforce to work from home in the event of a fuel crisis.	Adrian Unsworth	<b>Completed:</b> The existing agile working policy has been reviewed to reflect the enhancements which has progressed through the consultation stages and will be referred to CMT later this month.
Review and refresh the priority one list of individuals in light of COVID and how we operate our services to ensure that it is accurate and up to date.	Miles Punter	<b>Completed</b>
Refresh the Fuel Plan to ensure that it is still relevant to the organisation and report to SLT.	Miles Punter	

<b>3 - Supplies Disruption (including medicines, materials, goods and services – including those from other public services organisations)</b>		
<b>Action</b>	<b>Responsible</b>	<b>Update/Comments</b>
Refresh supply chain mapping for all priority one service areas requiring a Business Continuity Plan to identify source of transport/logistic arrangements for the supply of key products/materials. Utilise lessons learnt from COVID experience and access to PPE supplies. (This would involve working with our contractors to identify common parts that may be subject to potential supply chain issues and identifying any mitigating actions that require attention).	All Heads of Service with P1 Business Continuity Plans	<b>Completed within Social Services:</b>
Work with contractors (providers) to gain assurance for their readiness for the impact Brexit post transition. E.g. our contractor's ability to readily access materials/supplies from Europe without disruption/delay to project/programme delivery.	All Heads of Service who contract out services	
Review of the existing procurement rules and the opportunities this presents to enable the Council to source goods/materials quickly, safely and cost-effectively from secure/sustainable markets. Review/identify any amendments required to contractual terms post transition.	Debbie Marles/ Carys Lord	
<b>New action:</b> Establish and implement a tool for monitoring cost pressures in relation to supplies post transition period, to enable the monitoring of any rising costs during the period and potential impact on budgets.	Carys Lord	

<b>4 – Food Shortage / Food Supply Disruption</b>		
<b>Action</b>	<b>Responsible</b>	<b>Update/Comments</b>
Undertake a supply chain mapping exercise (see action in relation to supplies disruption)	Amanda Phillips/ Trevor Baker	<b>Completed for RMS Update:</b> Completed for residential care and under constant review.
Review the preparedness/business continuity arrangements of our suppliers for a 'no deal' Brexit and their ability to continue to supply food products for our priority 1 service areas (as outlined in Business Continuity Plans).	Amanda Phillips/ Trevor Baker	<b>Completed for RMS Update:</b> Completed and under review in partnership with catering department.
Identify any potential alternative supply chains to enable us to buy locally and gain assurance on quality.	Amanda Phillips/ Trevor Baker	<b>RMS Update:</b> Action completed.
Reflect any supply chain assurance actions in relevant Business Continuity Priority One Plans.	Amanda Phillips/ Trevor Baker	<b>RMS Update:</b> Action complete.
Catering service to work closely with our suppliers and with schools to identify and address any potential supply chain issues.	Amanda Phillips/ Trevor Baker	

<b>5 – Public Safety &amp; Community Cohesion/Tension</b>		
<b>Action</b>	<b>Responsible</b>	<b>Update/Comments</b>
Continue to utilise the Emergency Planning Unit as the authority's singled point of contact for the SWLRF for completing the sit-rep reporting template on any issues to the Strategic Co-ordination Group.	Miles Punter	<b>Completed and ongoing:</b> Continued to utilise the processes in relation to emergency planning incidents/scenarios and will continue to operate by the South Wales Local Resilience Forum (SWLRF) EU Exit Reporting Standard Operating Procedure.
Continue to utilise the Communications lead via the SWLRF to communicate key core brief messages as they arise and make use of the <a href="#">preparing Wales website</a> , to ensure information for residents is available and up to date.	Miles Punter	<b>Completed and ongoing:</b> We continue to utilise a communications lead via the SWLRF to support the communication functions (for the Vale of Glamorgan) in relation to the SWLRF and to facilitate and co-ordinate dissemination of key messages associated with Brexit and any potential risks arising from it.
<b>Revised action:</b> Refine and enhance our Community Tensions Monitoring process for the Vale of Glamorgan to inform of potential community cohesion issues arising as a result of Brexit.	Miles Punter	
Ensure PSPOs receive full Council approval.	Debbie Marles	<b>Completed</b>

<b>6 – Workforce Disruption (our internal workforce and those of contractors).</b>		
<b>Action</b>	<b>Responsible</b>	<b>Update/Comments</b>
Advice communicated to staff to advise of access to ensure access arrangements put in place via communications plan.	Tom Bowring	<b>Completed:</b> Communication plan developed
Refresh our work with managers across service areas to support them in the identification of potential employees who are EU, EEA or Swiss nationals (taking into account the sensitivity of the matter) to support them in applying for settled status and continue with our staff engagement to raise awareness amongst affected staff of the requirements to apply for settled status by the deadline.	Tracy Dickinson/All Heads of Service	
<b>Revised action:</b> Work in collaboration with GVS to assess Community Organisation/Third Sector readiness/preparedness for Brexit to support the identification of high-risk organisations that have minimal resilience/mechanisms in place.	Tom Bowring	

<b>7 – Communications (telecommunications and digital) Disruption</b>		
Communication of central decisions to staff – such as the closure of offices. Ensure communication regarding working from home and access to network disseminated to all staff ahead of key dates.		
<b>Action</b>	<b>Responsible</b>	<b>Update/Comments</b>
<b>Revised action:</b> Refresh a communications plan for the public and our staff on key Brexit developments up until the end of the transition period and beyond.	Tom Bowring	

<b>8 – Business &amp; Economy</b>		
<b>Action</b>	<b>Responsible</b>	<b>Update/Comments</b>
The Council is continuing to work with funders in relation to the monitoring of spend against EU funded programmes. Closer monitoring of spend has become critical as bodies such as Welsh Government face uncertainty over the ability to issue funding.	Marcus Goldsworthy	<b>Ongoing:</b> The Council continues to work with funders to monitor the spend against EU funded programmes.
The Council actively promoting support to businesses around Brexit via Business Wales' <a href="#">Brexit Portal</a> . They have been issued funding specifically to advise businesses in Wales around their preparedness for Brexit.	Marcus Goldsworthy	<b>Completed and ongoing:</b> The Council has worked in partnership with Business Wales and Welsh Government to shared information on the Brexit Portal via our database alongside delivery of a Brexit awareness workshop.  Developed a preparing for Brexit web page for the website to signpost our businesses to advice and information to the Business Wales website.
Closer links are being developed with UK Government and have been working with them on several inward investment projects.	Marcus Goldsworthy	<b>Completed and Ongoing:</b> Ongoing conversations with the UK Government on inward investment projects.
<b>Revised action:</b> Work with partners in the region to ensure that a consistent approach is adopted to engage with the business community to communicate Business Wales, UK Government and Welsh Government Preparedness advice on to businesses.  <b>New action:</b> Continue to lobby the Welsh Government and UK governments on the scope and delivery of the Shared Prosperity Fund (Uk Government replacement for EU funding). Lobby to attempt to ensure that the Vale of Glamorgan is no worse off in relation to funding as a result of Brexit. .	Marcus Goldsworthy/Phil Chappell	<b>Ongoing:</b> Regular meetings are being held with South East Wales RET to ensure consistent approach across the region.  Regularly feed into Welsh and UK Government consultations via WLGA. Stressing in particular the need to retain the community-led local

		development approach and to ensure that other socio-economic measures for rural communities are not overlooked.
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<b>9 – Other Risks</b>			
The following are other risks areas and their associated actions.			
<b>Risk</b>	<b>Action</b>	<b>Responsible</b>	<b>Comment</b>
<p>Poorly co-ordinated response by public sector organisations to the impact of Brexit resulting in a lack of transparency, accountability and the inability to respond jointly to issues as they arise. (Workshop)</p> <p>Significant political uncertainty associated with Brexit and the impact this has on our ability to forward plan.</p>	<p>Utilise the Local Resilience Forum to look at key issues associated with Brexit at the regional level with a cross-cutting focus on all public bodies e.g. Health, Police, Local Authorities working together. The key areas of activity need to be on:</p> <ul style="list-style-type: none"> <li>• Getting a clear picture/position of these organisations on their individual readiness for Brexit and what steps they have taken to date.</li> <li>• Identify opportunities to work together regionally to identify and tackle issues.</li> <li>• Establish coordination and reporting arrangements.</li> </ul> <p><b>New action:</b> Utilise learning from our emergency response to COVID to support preparations for Brexit transition and revisit scenario planning for no deal trade agreement in terms of its impact on priority 1 Business Continuity Plans.</p>	Rob Thomas	<b>Completed and ongoing</b>
Rising prices associated with tariffs and new regulatory regime, could have an adverse impact on our most deprived communities.	<b>New action:</b> Work with PSB and partners to deliver a food poverty pilot in Llantwit Major. Utilise lessons learnt from pilot to further develop the model, so that it can be applied to other areas post transition.	SLT/Tom Bowring	
<b>Failure to appropriately support those in local authority care</b>	<b>New action:</b> Identify volume/numbers of CLA and those leaving care where EUSS scheme application is required. Raise awareness	Rachel Evans	

## 9 – Other Risks

The following are other risks areas and their associated actions.

Risk	Action	Responsible	Comment
<b>who are EU nationals</b> through applying on their behalf for the right to remain through the EU Settled Status Scheme.	amongst Social Workers of the availability of specialist legal/advice and support via Newfields Law for more complex cases relating to CLA/those leaving care.  <b>New action:</b> Liaise with Residential Care homes to raise awareness of the need for any residents in their care who are eligible to apply for settled status.	Amanda Phillips/Gaynor Jones/Marijke Jenkins	
<b>Lack of awareness amongst EU, EEA and Swiss nationals</b> of the deadlines for residing and applying for EUSS scheme.	Communicate clear messages to our providers and agencies to raise awareness of the need to ensure that EU nationals are aware of the requirements to apply for settled status.  <b>New action:</b> Develop a new advertising campaign to reach EU, EEA and Swiss nationals to raise awareness of the scheme and to signpost to CAB support as well as other specialist agencies. (Helps address digital exclusion concerns).  <b>New action:</b> Disseminate messaging via usual comms platforms and by tag respective partners into key communication messaging. E.g. schools, housing associations, business community etc.  <b>New action:</b> Explore with CAB the option of delivering virtual webinars that can be accessed/delivered generally to citizens and also webinars tailored to business community, housing associations, and voluntary sector organisations to raise awareness of EUSS application support available.	Heads of Service where applicable  Tom Bowring  Tom Bowring  Tom Bowring	

## 9 – Other Risks

The following are other risks areas and their associated actions.

Risk	Action	Responsible	Comment
Organisation's role in providing advice to EU nationals to be clarified.	<p>An understanding of what work has been undertaken by HR colleagues and any planned communication work to be shared with chief officers.</p> <p>Proactively explore the options and potential for establishing a 'chip and check' service (pre-application stage) of the EU Settlement Scheme whereby identification documents are checked.</p>	<p>Head of HR</p> <p>Tom Bowring/Jeff Rees</p>	<b>Completed</b>
Whilst our attention and resources are drawn to immediately address the priorities arising from the pandemic, <b>our capacity to prepare and adapt to forthcoming policy and legislative changes</b> as a result of Brexit could be compromised.	<b>New action:</b> Production of regular briefing notes on Brexit developments with potential analysis on impact/implication for Council, alongside regular monitoring of this action plan.	Tom Bowring	
<b>Organisational readiness for potential disruption to data flows</b> from EEA in the event the UK does not secure a data adequacy decision by end of the transition period.	<b>New action:</b> Produce briefing paper for SLT regarding current status of data flow obligations as it applies to the Council that considers scenarios of 'adequacy' or 'non-adequacy' decision being made, and progress made on mitigations.	Trevor Baker	
<b>Contractual concerns/Risk of Provider failure-</b> Brexit may further challenge the viability of some providers/contractors to continue to provide a service	<b>New action:</b> Undertake risk assessment of existing providers/contractors to assess their level of resilience and preparations for Brexit to identify/flag potential business continuity/viability concerns.	All Heads of Service where service areas use contractors or	

**9 – Other Risks**

The following are other risks areas and their associated actions.

<b>Risk</b>	<b>Action</b>	<b>Responsible</b>	<b>Comment</b>
e.g. externally commissioned social care providers.		contract out services	