

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	UPDATE ON BREXIT PLANNING		
<b>DATE OF DECISION:</b>	14 JULY 2020		
<b>REPORT OF:</b>	SERVICE DIRECTOR FOR BUSINESS DEVELOPMENT		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>			
N/A			
<b>BRIEF SUMMARY</b>			
<p>This report updates Cabinet on the national position regarding the scheduled end of the Brexit Transition Period on 31 December 2020. The report also briefly indicates how preparations for this event will be made locally in Southampton and across the wider Hampshire and Isle of Wight area. As there are a number of uncertainties at the time of writing, a further verbal report will be provided at the meeting.</p>			
<b>RECOMMENDATIONS:</b>			
	(i)	That Cabinet notes the update in this report and the further verbal update to be provided at the meeting.	
	(ii)	That Cabinet endorses the planned approach to preparations for the end of the Brexit Transition Period on 31 December 2020.	
<b>REASONS FOR REPORT RECOMMENDATIONS</b>			
1.	Brexit is an issue of major national and local significance and it is important that Cabinet is aware of, and endorses, the Council's planned approach.		
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>			
	None.		
<b>DETAIL (Including consultation carried out)</b>			
1.	<p>Cabinet was last formally updated on Brexit on 15<sup>th</sup> October 2019 (see <a href="#">report</a>), before the Withdrawal Agreement was ratified by Parliament and the European Union (EU). Subsequently the UK legally left the EU on 31<sup>st</sup> January, but under the terms of the Withdrawal Agreement there was no change to its practical dealings with the EU for at least the whole of 2020 (the Transition Period).</p> <p>For example, the UK is still a member of the Single Market, the Customs Union and other arrangements including the European Arrest Warrant, freedom of movement and oversight of legal disputes by the European Court of Justice. The Government is encouraging business to prepare now for these arrangements coming to an end on 31 December.</p>		

	<p>Beyond December it is the Government's intention that a trade deal with the EU, and perhaps other 'mini-deals' on other issues, will replace the current arrangements. If no trade deal can be negotiated by 31 December, the UK will enter a 'no deal' situation and trade with the EU on World Trade Organisation terms – exactly the potential scenario that was faced in autumn 2019.</p>
2.	<p>Within the Withdrawal Agreement there is an opportunity to extend the Transition Period by up to two years, but this option must be exercised by the end of June 2020. The Government has consistently stated that it will not exercise this option because it believes that a trade deal can be agreed by the end of 2020. In reality, to enable ratification by the end of the year, a deal would need to be reached by the end of October. The likelihood of this happening remains to be seen; at the present time there are considerable areas of disagreement over matters such as fisheries policy.</p> <p>Beyond the deadline of 30 June, an extension to the Transition Period of even a few weeks could only be achieved by changes to the relevant treaty, which would be complex and could not be considered certain to succeed.</p> <p>As a result, 'no deal' either by accident or design is a plausible scenario. It is good practice, and the Council's policy, to prepare for the 'reasonable worst-case scenario', even if it is the Government's intention to avoid 'no deal'.</p>
3.	<p>The planning arrangements for the City Council in the run-up to the previous 'no deal' situation were as follows:</p> <p>A core team of officers, embedded into business-as-usual continuity planning across the organisation. This team was led by James Strachan (nominated Brexit lead officer). Officers also worked closely with:</p> <ul style="list-style-type: none"> <li>• Hampshire and Isle of Wight Local Resilience Forum (LRF)</li> <li>• The Leaders and Chief Executives of neighbouring councils including Hampshire, Isle of Wight and Portsmouth.</li> <li>• Regional networks, led by the Chief Executive of East Sussex County Council, who was asked by Ministry of Housing, Communities and Local Government to act as the lead Chief Executive in the South East region for Brexit co-ordination.</li> <li>• Local partners and stakeholders, led by Southampton Connect, bringing together leaders from the public, private and third sectors across the city to consider a citywide approach to Brexit.</li> </ul>
4.	<p>The planning arrangements proposed for the current no-deal scenario are substantially similar but with a key difference. The Covid-19 pandemic has resulted in the LRF emergency response and recovery structure being operational for almost all of 2020 to date. As the pandemic is not likely to be resolved for many months yet, it is likely that the LRF will add Brexit planning to the current Covid-19 response arrangements.</p> <p>This will be mirrored within the Council, with the 'Silver' and 'Gold' command groups adding Brexit preparation to their work on Covid-19.</p>

5.	<p>The potentially most disruptive impacts for Southampton that were predicted in 2019 in Southampton following a no-deal Brexit were identified as follows:</p> <ul style="list-style-type: none"> <li>• Traffic disruption arising from delays at the Port of Portsmouth and extending along the strategic road network;</li> <li>• Simultaneous train network disruptions further affecting staff travel;</li> <li>• Staff travel problems linked to road and traffic disruption;</li> <li>• New Port Health IT system not being operational;</li> <li>• Availability of essential supplies (e.g. medicines/vaccines or food) and/or public perception of supply shortage;</li> <li>• Community tensions;</li> <li>• Lack of preparedness among local exporters, particularly small businesses unfamiliar with the need for export certificates;</li> <li>• Other effects such as a lack of legal basis for data flows and the possibility of a mutual aid requirement under which public service staff such as police officers would be redeployed to Kent;</li> <li>• Potential for workforce shortages for both SCC and contracted services.</li> </ul>
6.	<p>The risks are likely to be slightly different this time for a number of reasons, many related to Covid-19:</p> <ul style="list-style-type: none"> <li>• Mitigation may have been put in place – for example, food and medicine resilience has been tested and improved during the Covid-19 pandemic; similarly, working from home in the event of disruption is now a viable option for most staff; key highway and Port infrastructure schemes in Southampton will have been completed; and the new Port Health IT system is now in place*.</li> <li>• A much greater risk of business vulnerability and/or distraction from Brexit preparations.</li> <li>• National and local government focus on Covid-19 rather than Brexit planning.</li> <li>• Community tensions related to current political issues that could be exacerbated in a no-deal scenario.</li> </ul> <p>However, it remains the case that for the Southampton region specifically the principal short-term risk is disruption arising from HGV traffic trying to enter the Port of Portsmouth (which is a roll-on roll-off port and therefore much more sensitive to European trade instability than Southampton’s cruise or container ports). This is particularly the case as:</p> <ul style="list-style-type: none"> <li>• The ferry sector may still be recovering from the loss of business suffered during the Covid-19 lockdown;</li> <li>• Ongoing social distancing measures may make traffic management activity more challenging.</li> </ul> <p>In 2019, officers advised that the risk of excess traffic arising at the Port of Southampton in a no-deal scenario was considered low or manageable. There is currently no reason to revise this assessment.</p> <p>*It should be noted that while the new Port Health system IPAFFS was ready to be used in October 2019 it has since been lying dormant, and SCC Port</p>

	<p>Health were requested to continue using the EU IT system (TRACES). It will be necessary to ensure DEFRA are involved again in ensuring IPAFFS is tried and tested again with Port Health in December 2020.</p>
7.	<p>The Government has recognised that there is a risk of disruption at the border if businesses, ports and HMRC/Border Force are not sufficiently prepared, and has undertaken that no checks will take place on imported goods entering the UK for a period of six months. (There will be documentary checks on fishery products from January and on animal origin products from April).</p> <p>However, this does not mitigate the situation on goods being exported, which will face full checks on arrival in Europe. Lack of border-readiness will mean that HGVs leaving the UK will be delayed boarding ferries in Portsmouth, or potentially instructed not to board but to turn round and return to their base.</p> <p>Government's 'Operation Yellowhammer' planning assumption in 2019 was understood to be that 50-85% of HGVs would not be border-ready. Calculations by Portsmouth City Council showed that a queue of only 14 HGVs would start to encroach on the motorway network.</p> <p>The LRF will develop planning assumptions for 2020 based on the current situation, emerging Government advice and mitigations, and the prospects for a trade deal.</p>
8.	<p>The most significant no-deal risk of all for Southampton beyond the immediate logistical challenge is of negative economic impact following on the heels of the Covid-19 pandemic, and therefore a risk of failure of local businesses. It is expected that this will be a risk for a larger number of businesses than was the case in 2019 due to the impacts of Covid-19 weakening business resilience, demand being slow to recover to pre-pandemic levels and reduced capacity in business communities to prepare for potential cumulative economic shocks.</p> <p>The Council's Covid-19 Recovery group will add this risk to its work on the city's recovery strategy. There is significant work ongoing to review the Council's plans to support the local economy to recover and respond to the challenge created by Covid-19, including working with local industries to build resilience across different sectors, retain jobs where possible and support growth to build job opportunities in new sectors. This would will also support economic resilience for local businesses adapting to any challenges created by lack of an agreed trade deal.</p>
9.	<p>Officers will review and update the Council's advice and guidance to Southampton residents and will make particular efforts to promote registration under the EU Settlement Scheme, which enables EU citizens to gain leave to remain in the UK beyond June 2021. As at March 2020 just over 24,040 Southampton residents have been registered, although accurate data does not exist on the exact numbers of eligible residents living in Southampton. This number is likely to be lower than the total number of eligible residents.</p>
10.	<p>The Council received £738,000 of funding to support Brexit planning from Government in 2019. In addition to officer time, only £158,320 of this was spent due to the risk of no deal being avoided at that time. There is no</p>

	indication that Government will provide further funding, so it is likely that the Council will need to call on this underspend or other local resources if costs arise such as a temporary increase in Port Health capacity (if a current bid to the Food Standards Agency for more funding is not successful).
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
11.	There are no capital or revenue implications arising from this paper.
<b><u>Property/Other</u></b>	
12.	None.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
13.	N/A
<b><u>Other Legal Implications:</u></b>	
14.	The Council will respond to any changing legal requirements in line with relevant legislation and the Council's Constitution.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
15.	The 2019 Brexit risk register will be reviewed and updated to reflect the position in 2020, and will be monitored and managed in line with the Council's Risk Management framework. The 2019 risk register was not published following a Public Interest Test decision.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
16.	Any activity to prepare for no-deal and/or respond to a trade deal or new policy regime will be considered in line with the Council's Constitution and Policy Framework.
<b>KEY DECISION?</b>	<b>No</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	All
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
1.	N/A
<b>Documents In Members' Rooms</b>	
1.	None
<b>Equality Impact Assessment</b>	
<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>	<b>No</b>
<b>Data Protection Impact Assessment</b>	
<b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>	<b>No</b>
<b>Other Background Documents</b>	

**Other Background documents available for inspection at:**

<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>
1.	N/A