

<b>DECISION-MAKER:</b>	<b>CABINET</b>
<b>SUBJECT:</b>	<b>PREPARING FOR THE END OF THE EU TRANSITION PERIOD</b>
<b>DATE OF DECISION:</b>	<b>17 NOVEMBER 2020</b>
<b>REPORT OF:</b>	<b>LEADER OF THE COUNCIL</b>

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<b>STATEMENT OF CONFIDENTIALITY</b>	
N/A	
<b>BRIEF SUMMARY</b>	
<p>The UK has left the European Union (EU) and is now in a transition period which will come to an end on 31 December 2020. At the time of writing, negotiations for a trade deal between the UK and EU following the transition period are ongoing.</p> <p>Whilst the impacts of the end of the translation period will depend on the nature of any deal reached, a number of changes will come into force from 1 January (and at various agreed dates during 2021) regardless of whether or not a deal is agreed. At the time of writing, no trade deal has been agreed, and therefore Southampton City Council is planning for all scenarios, including no trade deal being reached before 1 January 2021.</p> <p>This paper outlines the potential impacts that could be seen in the event of a 'no trade deal' exit on Southampton and the wider region, as well as steps being taken to mitigate the risks of the most disruptive potential impacts.</p>	
<b>RECOMMENDATIONS:</b>	
	(i) To note the current position of Southampton City Council's planning in relation to the end of the UK/EU transition period.
<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
1.	To ensure that Cabinet is aware of the potential impacts of the UK leaving the EU with no trade deal in place at the end of the transition period and the steps being taken to plan and mitigate any risks.
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
2.	None
<b>DETAIL (Including consultation carried out)</b>	

3.	The UK left the EU on 31 January 2020 and entered an 11-month transition period during which the UK and EU will negotiate arrangements for the future relationship between the UK and EU, including any trade deal. During the transition period the current rules on trade, travel, and business for the UK and EU will continue to apply.
4.	The transition period will end on 31 December 2020. The UK declined the option to extend the transition period under Article 132 of the Withdrawal Agreement in June 2020. There is currently no further option to extend the transition period and the UK government has confirmed that no extension will be requested. Southampton City Council has therefore renewed activity during 2020 to prepare for EU Exit, focusing on the end of the transition period on 31 December.
5.	There continue to be a significant number of unknowns about processes from 1 January 2021 following the end of the transition period as these are contingent on the ongoing negotiations between the EU and UK. Whilst the nature and extent of any impacts will be influenced by the outcome of these negotiations, there will be changes from 31 December 2020 including changes to import and export processes, free movement and settlement rights.
6.	The government have published a Reasonable Worst Case Scenario for borders at the end of the transition period based on a planning assumption that EU Members states will impose third country controls on UK goods at the end of the transition period. Southampton City Council is continuing to prepare for all scenarios, including the reasonable worst case disruptions that could be experienced in the event that no trade deal is reached. As more information becomes available, the council will adapt its planning, preparations and response.
	<b>Trade Negotiations</b>
7.	At the time of writing trade negotiations between the UK and EU are ongoing. On 16 October the Prime Minister made a statement to the House of Commons stating that at the EU summit in Brussels on 15 October it had been confirmed that the preferred UK position of a Canada-style relationship would not be possible and that the UK should prepare for “arrangements that are more like Australia’s based on simple principles of global free trade”.
8.	Australia and the EU signed a ‘framework agreement’ in 2017, which establishes a general principle of co-operation on areas including trade, foreign policy and security, development and humanitarian issues. However, Australia does not have a formal trade agreement in place with the EU and therefore an ‘Australia-style’ model assumes World Trade Organisation rules will apply.
9.	On 19 October the Chancellor of the Duchy of Lancaster made a statement to the House of Commons on preparedness for the end of the transition period. He stated that following a declaration from the EU that “all future moves in this negotiation had to be made by the UK”, the trade negotiations had effectively ended, but that they could resume if the EU negotiators fundamentally changed their position.
10.	On 21 October the EU Chief Negotiator Michel Barnier updated the EU Parliament with progress on negotiations, stating that progress had been made in a number of areas including police and judicial cooperation and

	<p>transport, but that there were three complex outstanding issues in the negotiations:</p> <ul style="list-style-type: none"> <li>• The economic and commercial ‘level playing field’</li> <li>• Governance and dispute settlement mechanisms</li> <li>• Fisheries</li> </ul>
11.	<p>When transition ends, the UK will automatically drop out of the EU's main trading arrangements if no deal has been agreed. Tariffs and border checks would be applied to UK goods travelling to the EU and the UK could put in place tariffs and checks for EU goods entering the UK. Tariffs would make UK goods more expensive to sell in the EU, and vice-versa, while full border checks could cause long delays at ports.</p>
12.	<p>Traders importing goods will need to be ready on 1 January 2021 for border control measures implemented by EU member states in the event of no trade deal. Traders exporting goods will require relevant documentation to export. The Smart Freight system, which aims to ensure that trucks are carrying the correct documentation before they travel to ports, is due to be operational by December. The new system is designed to reduce delays at ports and manage traffic flow. Reports in September 2020 indicate that the system may only be available in beta version in December and will not be fully operational until April 2021. The government continues to reassure industry that the system will be operational by December.</p>
	<p><b>Key Risks</b></p>
13.	<p>Southampton City Council is continuing to work with the Hampshire and Isle of Wight Local Resilience Forum (LRF) in planning for what the LRF defines as their “reasonable worst case scenario”, ie that no trade deal will be in place. The primary focus of the regional preparation work is to address traffic problems that may be experienced as a result of border flow delays, as well as managing the response to the end of the EU transition period alongside the ongoing COVID-19 response.</p>
14.	<p>Southampton City Council’s preparation for the end of the EU transition period focuses on the following themes:</p> <ul style="list-style-type: none"> <li>• Border flow/traffic disruption</li> <li>• Business readiness</li> <li>• EU Settlement Scheme</li> <li>• Council services/business continuity</li> <li>• Wider economic/community impacts</li> <li>• Data management</li> <li>• Communications</li> </ul>
	<p><b>Border flow/traffic disruption</b></p>
15.	<p>The Local Resilience Forum (LRF) has identified traffic disruption linked to delays at the Port of Portsmouth as a high risk. This is because, like the Port of Dover, Portsmouth is a roll-on roll-off port. HGV exports from Portsmouth could be delayed because of additional checks required if the UK is treated as a ‘third country’ in the case of a no trade deal. Latest assumptions indicate that 40-70% of trucks travelling to the EU might not be ready for new border controls. In combination with potential delays in ferry turnaround at EU ports causing delays to scheduled departures, this could lead to severe congestion on the road network leading into/out of Portsmouth. In addition,</p>

	HGVs may opt to use Portsmouth due to the expected severe disruption at the Port of Dover, further compounding any congestion problems.
	The council is working closely with Portsmouth City Council and the LRF to address these risks through agreed 'stacking' arrangements (Operation Transmission), which will reduce road congestion through a managed HGV queueing system. The Local Resilience Forum are working with government to explore funding options for the operation.
16.	Similar disruptions are not expected in Southampton due to the fact that it is a container port rather than roll-on roll-off, dealing in primarily non-EU trade, and traffic flows can be managed through the existing logistics infrastructure. The council's Highways partner Balfour Beatty has had approval to continue with planned scheduled work to Southampton highways over the period covering the end of the transition. Balfour Beatty has also confirmed that the work undertaken by Highways England at Redbridge Roundabout is nearing completion and that any additional snagging works will result in only limited restrictions to the highway around the time the transition period ends.
17.	In addition to HGVs leaving the UK needing to be 'border-ready', there will be customs and other checks on HGVs arriving in the UK from the EU at ports in the Hampshire and Dorset area, including Portsmouth, Southampton and Poole. The Government has not yet confirmed where these checks will take place but at present there is no expectation that they will take place in Southampton.
18.	Officers recently met with Associated British Ports (ABP), operators of the Port of Southampton. As last year, ABP believes that the traffic impact caused by a 'no trade deal' scenario will be minimal in Southampton, and is confident of its ability to absorb any disruption related to such a scenario within the port estate. Recent new border infrastructure developments at the port are planned to minimise disruption in the event of a 'no trade deal' scenario. 90% of the automotive trade passing through the Port of Southampton and 85% of container goods are traded outside the EU, and the port has plans to manage the likely consequences of any delays experienced with EU goods.
19.	Southampton City Council's role as Port Health Authority is used to carrying out official controls on third country animal or plant based products. The service has been preparing for a 'no trade deal' scenario and is prepared to ensure all the official controls expected to be in place from the 1st January 2021 are in place for all additional EU products for which checks are required.
20.	Official border control checks are expected to be carried out by Port Health on food stuffs and feed entering from the EU in a three-phased approach: <ul style="list-style-type: none"> <li>• From 1 January: Free flow of goods apart from organic products (documentary checks required) and live animal checks (live animals do not arrive at Southampton Port).</li> <li>• From 1 April: Documentary checks on all Products of Animal Origin (POAO) and high risk foods.</li> <li>• From 1 July: 1%-1.5% physical checks required on POAO and high-risk foods. All checks carried out will be in receipt of fees charged to the importer.</li> </ul>
21.	A new Border Control Post has been built within the Port of Southampton which has provided additional capacity to deal with the additional trade

	expected, although it has not been possible to have accurate figures on EU trade that is likely to be imported through Southampton Port.
22.	The current European IT system known as TRACES and TRACES NT and currently being used by Port Health Authorities in the UK to clear consignments will no longer be facilitated by the EU and from the 7th December 2020 will be replaced by a UK IT system known as IPAFFS. This system has been installed in Southampton Port Health and all the staff have received training.
	<b>Business readiness</b>
23.	A recent poll of businesses undertaken by the government that found 78% had taken steps to prepare for EU Exit, but only 24% believed they were fully ready. The poll also found that 50% of large businesses and 20% of SMEs will be ready to export from January, and 30% of lorry drivers will have the right paperwork.
24.	Southampton City Council staff are working with the Chamber of Commerce to make sure that businesses are ready for any EU Exit scenario. At the time of publishing this report (9 November 2020), a trade agreement with the EU has not been reached, which presents obstacles for businesses preparing for the UK's exit from the EU.
25.	The council's Communications Team is using the Business Rates database to contact businesses within the city to share preparedness information. A <a href="#">webpage</a> has been created in order to share information from central government regarding businesses preparedness. This will be regularly checked and updated as more information becomes available.
	<b>EU Settlement Scheme</b>
26.	People who are EU, EEA or Swiss citizens, and their families living in the UK, can apply to the EU Settlement Scheme to continue living in the UK after 30 June 2021. Latest data (June 2020) showed that 25,660 applications had been submitted by Southampton residents, of which 14,090 had been granted settled status and 9,610 had been granted pre-settled status.
27.	Southampton City Council previously offered an ID scanning and verification service for people unable to upload their identity documents as part of their application through the council's Registration Service. This service has been suspended because of COVID-19 restrictions, but the council is continuing to provide help and advice via our website.
28.	Southampton City Council is working with Citizens Advice to ensure eligible residents can access support to apply for the scheme. The Home Office has recently provided an additional £4.5 million for support vulnerable individuals to apply to the EU Settlement Scheme. Citizens Advice Southampton with EU Welcome and Southampton City Council were successful in securing £43K for the period of the 1 October 2020 to the 31 March 2021.
29.	Support under the Citizens Advice project comprises specialist immigration advice and practical assistance. Assistance can include help with the application process which is 'app-based' so those without adequate IT skills are particularly disadvantaged and language support via telephone-based interpreting where it is a barrier. The scheme runs a national insurance check to establish residence, and applicants will need to scan and upload further evidence of residence. Advisers coordinate this process and can obtain

	information on the applicant's behalf when authorised. Complex applications can take several months to complete. Where immigration advice is not required, but a vulnerable client requires practical support with their application (eg, evidence gathering, technological support, signposting), clients will be assisted by volunteer advisers.
30.	Officers are also working to ensure that all children in the council's care who are eligible for the scheme have been registered, as well as all eligible adults for whom the council is an appointee. The council has already undertaken communications to all staff to ensure that they are aware of the scheme and offered drop-in support sessions for eligible staff. Further internal and external communications will continue between now and the end of the application period (30 June 2021).
	<b>Council services/business continuity</b>
31.	COVID-19 has significantly affected the council's planning for the end of the EU exit transition period. Some of the risks that were originally outlined have been experienced and managed during the coronavirus pandemic. For example, staff travel problems due to potential disruption on transport links and road networks was experienced and additional work-from-home capacity established. At a national level, the supply chain for Personal Protective Equipment and essential medicines has been severely tested, and the government is confident that supplies will not be interrupted.
32.	Other impacts have developed due to the coronavirus pandemic. For example, due to social distancing guidance from the government, the Register Office is no longer able to offer document scanning for the EU Settlement Scheme.
33.	As we move further into the winter period, the risk of simultaneous events such as a local outbreak of COVID-19 and/or severe weather will become more significant, as well as the potential for current lockdown arrangements to be extended to the end of the year. The cumulative impact of COVID-19, severe weather or unforeseen events could exacerbate other risks and cause further disruption.
34.	Southampton City Council services will continue as normal wherever possible, but we will carefully monitor the situation to ensure that if the end of the transition period coincides with any local COVID-19 outbreaks or further lockdown restrictions steps are taken to support our residents and control the spread of infection.
	<b>Wider economic/community impacts</b>
35.	Wider impacts of the UK's exit from the EU in Southampton may include: <ul style="list-style-type: none"> <li>• The general effects of any potential exacerbation of economic disruption and downturn already being experienced because of COVID-19.</li> <li>• Potential positive impacts of greater commercial opportunities for the Port and local export businesses through new trade deals.</li> <li>• Potential workforce shortages in some sectors as a result of any limitations into the UK for EU workers. This is likely to have the greatest impact in areas where there are existing challenges to recruitment, including social care providers and other technical specialisms.</li> </ul>

	<ul style="list-style-type: none"> <li>• Potential community tensions prompted by the end of the transition period and/or the cumulative impacts of ongoing disruption following significant Covid-related changes to people's ways of life in 2020.</li> </ul>
36.	Southampton City Council will continue to work with partners across the city and region through the Local Resilience Forum, Southampton Connect and the Southampton Business taskforce to monitor and respond to ongoing concerns. The council is currently developing a new Economic and Green Growth Strategy that acknowledges the challenges of recovering and growing the economy, and sets out a plan to work with our communities to grow a new greener, fairer and healthier economy in Southampton.
	<b>Data management</b>
37.	Currently, UK has 'adequacy status' during transition period, meaning that data can flow freely between the EU and the UK. Post 31 December, the UK has legislated that personal data can flow freely from the UK to the EEA, and is currently seeking an "adequacy decision" from EU by end of transition period. If secured, this will allow for the free flow of personal data from EU/EEA to the UK to continue uninterrupted.
38.	It is unlikely that a decision on adequacy will be made by 1 January, and, if no alternative agreement is in place, the UK will not retain its adequacy status, and will become a 'third country' for data protection purposes. This means that data from the EEA to the UK will be restricted unless appropriate safeguards are in place, or the transfer benefits from a statutory exception (or 'derogations').
39.	This will have the biggest impact in IT, where many cloud/host supplier arrangements will rely on servers and back-up facilities based in the EEA; whilst local authorities will be able to send data to these processors post 1 January, the flow of data back will be restricted. The Council is currently looking at its IT systems to determine where data is held in cloud environments, and the location of these servers, so appropriate safeguards can be put in place.
40.	After the transition period, a UK version of the EU GDPR will be introduced, which largely follows the EU GDPR, so there will be no immediate change to the UK's data protection standards. The Withdrawal Agreement creates 'Legacy Data', meaning that the Council will need to be able to identify data transferred to the UK prior to the end of the transition period, as this will need to be handled differently, due to different rights available to the data subjects.
	<b>Communications</b>
38.	The council's <a href="#">EU Exit webpage</a> provides links to advice and information from the government for business and employers, as well as information on the EU Settlement Scheme and FAQs. The council's Communications Team are continuing to promote links to information for businesses and residents via social media, and will increase the frequency these messages as planning continues leading up to 31 December and thereafter.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
39.	There are no immediate Capital implications directly relating to this paper.

	Revenue implications at this stage are mostly related to staff time, with resource being required to address planning and preparation issues.
40.	In the event that the council is required to respond to an emergency scenario relating to the UK's exit from the EU, spending powers will be exercised as prescribed under the Southampton City Council Constitution.
<b><u>Property/Other</u></b>	
41.	None
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
42.	N/A
<b><u>Other Legal Implications:</u></b>	
43.	Any legal implications relating to the UK's exit from the EU are being considered as part of the council's planning and preparation. The council will respond to any changing legal requirements in line with relevant legislation and the council's Constitution.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
44.	The risks relating to the end of the transition period are being monitored and managed in line with the council's Risk Management framework.
45.	Southampton City Council's risk log for EU exit planning has not been published at this stage, in line with a Public Interest Test decision.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
46.	Any activity to prepare for the end of the transition period and to respond to any emergencies arising 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.	None
<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