

# 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:**

- i. Focus on the absolutely critical areas for preparation;
- ii. Provide immediately actionable advice; and,
- iii. 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.

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### 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	
Actions to take <b>after</b> 31 December 2020	
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](#)

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### 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><a href="#">Data protection</a></li> <li><a href="#">Regulating chemicals</a> (REACH):</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](#)

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### 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](#)
- [WLG A 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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