



## Report to Overview & Scrutiny Management Committee 17<sup>th</sup> December 2020

**Report of:** James Henderson, Director of Policy Performance and Communications

**Subject:** SCC update on the end of the EU Transition Period

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**Summary:**

This item is being brought to update the Committee on the latest assessment of the impact of Brexit and the impending end of EU transition period on Sheffield and the City Council. As such this report provides an update on SCC's Brexit preparations to date and provides an overview of those risks deemed as having the most potential significant impact on Sheffield, with mitigations outlined to address these.

**Type of item:** The report author should tick the appropriate box

Reviewing of existing policy	
Informing the development of new policy	
Statutory consultation	
Performance / budget monitoring report	
Cabinet request for scrutiny	
Full Council request for scrutiny	
Call-in of Cabinet decision	
Briefing paper for the Scrutiny Committee	<b>x</b>
Other	

**The Scrutiny Committee is being asked to:**

The Committee is being asked to note and discuss the report and the actions taken to date.

**Background Papers:**

List any background documents (e.g. research studies, reports) used to write the report. Remember that by listing documents people could request a copy.

**Category of Report:** OPEN

# **Report of the Director of Policy, Performance and Communications**

## **Update on the End of EU Transition Period**

### **1. Introduction/Context**

- 1.1 This item is being brought to update the Committee on the latest assessment of the impact of Brexit and the impending end of EU transition period on Sheffield and the City Council. As such this report provides an update on SCC's Brexit preparations to date and provides an overview of those risks deemed as having the most potential significant impact on Sheffield, with mitigations outlined to address these.
- 1.2 This follows previous updates to the Economic and Environmental Wellbeing Scrutiny Committee regarding Brexit in 2017, 2018 and 2019.

### **2. Main body of report, matters for consideration, etc**

- 2.1 Since the UK left the EU on the 31 January 2020 under the terms of a negotiated withdrawal agreement, it has been in a transition period maintaining most pre-departure arrangements. The transition period was intended to allow time for a new trade deal to be agreed between the EU and the UK. The transition period for the UK leaving the EU ends on December 31, 2020, and the UK Government has confirmed that it will not be seeking an extension to this from the EU.
- 2.2 Therefore, from January 1 2021 the UK will no longer be part of the EU's Single Market and Customs Union and, at the time of writing this paper, the UK Government has not agreed a Trade Deal with the EU. The UK would therefore automatically fall into World Trade Organisation terms unless a deal is agreed between the UK and EU before the end of the transition period.
- 2.3 It is also important to recognise that major changes will take effect on 1 January 2021 whether a trade deal is agreed or not. Free movement of people will end and businesses trading with the EU will have to follow new rules. Any trade deal is expected to only cover the trade in goods rather than services.
- 2.4 With the impending end of EU transition period SCC reformed its internal Brexit working group to respond to, and mitigate as far as possible, any identified risks.
- 2.5 This group has representation from across the Council and has been meeting on a fortnightly basis.
- 2.6 Building on the work conducted before and during 2019 to assess the potential impact of no deal Brexit, the group has continued to evaluate the impact on Sheffield's residents, communities and businesses as well as on the SCC workforce and service provision.
- 2.7 The risks and impacts which have been discussed by the group are included in the Impact Assessment Spreadsheet. This assessment

includes both the impacts on Sheffield City Council and how we are mitigating against them and impacts on Sheffield, its businesses and residents. This impact assessment has been informed by the Government's Reasonable Worst Case Scenario for EU exit.

- 2.8 An important consideration to this work has been the ongoing pandemic of Covid-19. It is important that we have taken the impacts of Covid into account due to the pressures which the pandemic have placed on services, people and the economy during 2020. Any impacts of the end of the EU transition period will therefore add to an already difficult set of circumstances for many – particularly businesses. Covid has also greatly changed the economic environment in which the end of transition will occur, with the recent Government Spending Review highlighting expected redundancies and low growth, following the most profound economic shock since the end of the Second World War.
- 2.9 At a South Yorkshire level SCC is participating in planning work which is taking place through the Local Resilience Forum. A separate LRF EU Transition cell which meets on a weekly basis been set up to ensure colleagues from across partners (including the NHS and emergency services) throughout the region are working together and coordinating mitigations and preparations.
- 2.9.1 SCC work to date has been occurring in a range of areas to try and minimise the impact of the end of the transition period. The highest impact areas we are looking at are currently:
- **Businesses:** For businesses 2020 has been incredibly difficult with the restrictions Government has introduced because of Covid-19 and the global economic shock that has been caused by Covid. With many businesses unable to trade during the first lockdown, reductions in orders, being unable to open shops or having to reconfigure their operating and business models to survive the pandemic, 2020 has already stretched the resilience of many businesses. With Covid having been the main focus, there is a concern that businesses are not prepared for the changes which the end of the EU transition will bring. SCC has, working with the Chamber of Commerce, used part of the Brexit preparations fund made available by Government to all councils, to fund two International Trade Advisors. These advisors have been providing advice to businesses regarding any new trading requirements with the EU and any opportunities that may exist in new markets post Brexit. This is particularly important for Sheffield because of the high proportion of our business base (particularly manufacturing businesses) that export directly to the EU or are part of supply chains that are dependent on EU imports and exports. On a national level Government has an advertising campaign, present on a range of media channels telling businesses to prepare, although without clarity of the trading environment after the end of the transition period this has proved challenging for many. Because of the concerns about the capacity of many businesses to prepare adequately and the limited time now left before the end of the transition period, we are looking to ensure that support continues to be provided after 1 January 2021.
  - **Community Impact:** There is the potential, particularly if a trade deal is not agreed, for there to be short term disruption to food and fuel supplies. This is unlikely to mean that food will be in short supply overall

but that choice will be more limited than it would normally be. There is little that we can do at a local level to reduce the likelihood of this, but we will seek to reduce the impact, particularly on vulnerable people, through the use of the community response arrangements that have been developed during Covid. Further community resilience impacts may be found if the anticipated rises in costs of food affect many at the same time as redundancies from Covid. Locally there are support links available on the SCC website and partners across the city are working together with a joined-up approach to how they can help people in this position.

- One of the areas which communities need to be aware of is European citizens needing to apply for settled status. The Government application process for settled status is mainly available online. The deadline for applying for this status is June 2021 and SCC is therefore providing support to EU nationals who live in Sheffield with help to apply for Settled Status. This work has continued after the first lockdown where possible during Covid, with help available in our family centres. SCC has also been working with the voluntary sector to help identify any further support that may be required. We are also taking steps to ensure that any child or young person in our care who is an EU citizen applies for settled status
- There is no disruption anticipated to the services which SCC provide. Services have been examined, as stated, in line with the Government's Reasonable Worst Case Scenario for EU exit. Supply chains and contractors have therefore been checked as part of this process, assuring their ability to continue to provide services throughout the transition. There is a list of mitigations in the impact assessment highlighting the checks and actions in place. One of the areas that we are continuing to seek assurance around is data transfer and processing. This is to ascertain data flows from the EU to UK, and to seek reassurance from suppliers they are prepared for the end of transition.

### **3 What does this mean for the people of Sheffield?**

- 3.1 At the time of writing it is increasingly likely that the UK will leave the EU under a no deal scenario. SCC is therefore taking precautions in planning and mitigating against these impacts to ensure the effective provision of services for the city's residents beyond 31 December 2020.
- 3.2 It is likely that there will be impacts for the people of Sheffield – these will differ depending on personal situation and it is important for people to be aware of the transition, and in particular for businesses to take steps now to prepare for the end of transition. The government website has support and advice for people to follow at <https://www.gov.uk/transition> to help prepare for the transition.

### **4. Recommendation**

- 4.1 The Committee is asked to note and discuss the report presented and the actions taken to date.