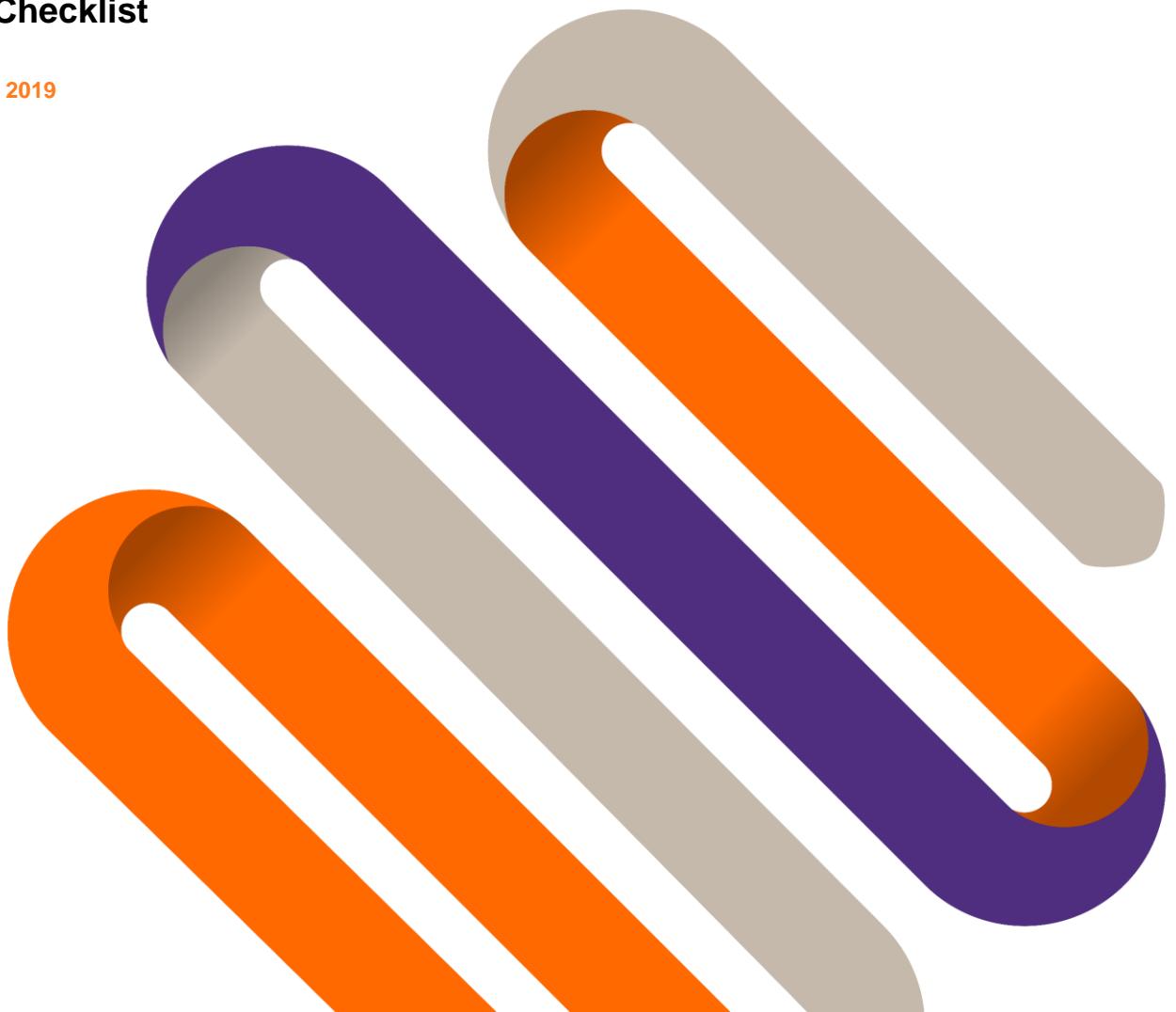




Brexit Preparedness Toolkit

No Deal Checklist

17 September 2019





Preparing for no-deal

Recent political events have made a no-deal Brexit on 31 October less likely, however a no-deal outcome remains a strong possibility.

Currently, the UK is still set to leave the EU on 31 October 2019 – deal or no-deal. While an extension may be granted, this may only be for a few months, pushing a new deadline out to 31 January 2020. Given the volatility in UK politics, local authorities in Wales should continue to plan for a no-deal outcome that could happen as early as 31 October 2019.

Councils must take this seriously and act quickly to confirm and activate their no-deal action plans.

In November and December last year, 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 Brexit. 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 Brexit poses, helping them to ask the right questions and put in place robust plans on behalf of their communities and businesses.

Given the current levels of uncertainty and the risks of a no-deal exit a key role for local authorities is to help manage this volatility and change and to seek to provide resilience whatever outcome emerges over the coming months.

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 Brexit 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 Brexit 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 Brexit 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.



No-deal Brexit winter 2019/20

Not the same as 29 March

The extension of the Article 50 period to winter 2019 leads to a number of differences between the impact of a No Deal now compared to earlier in the year.



Economic differences

Weak economic backdrop

Negative economic growth in quarter two has led to fears of a recession.

Cashflow stretched in organisations

Businesses may be stretched as costs (e.g. warehousing and labour) have increased, making them less resilient to any further shocks.

Ongoing uncertainty

Has caused a sustained period of low business investment. To cope organisations may be extending the life-span of capital or not updating systems/processes.

Budgets and financial planning

The delay makes planning for 2020/21 financial year more complicated as there is less certainty.



People impact

Currency impact

The continuing weakness of the Pound has lead many EU nationals to reconsider the economic benefits of employment in the UK and returning home.

Uncertainty over new immigration policies

EU nationals in the UK before Brexit have been guaranteed their right to remain, though details over what will replace Freedom of Movement remain unclear. This uncertainty is leading to labour challenges in the UK as some EU nationals look elsewhere for employment.

Settled Status up and running

The process for registering for Settled Status has been rolled out in full and many problems overcome.



Seasonal challenges

Warehouses full

Christmas stock is limiting the amount of warehouse space available and pushing the cost up.

Weather disruptions

A further delay to Brexit may push a no-deal into the middle of winter, where snow and falling temperatures cause additional disruption. It may also coincide with winter health challenges such as flu.

Holiday season

Brexit is currently scheduled to occur during half-term. Holiday absences may mean key decision makers are unavailable and add to possible traffic concerns.

Farming and rural communities

The autumn period coincides with the peak export period for lamb and a loss of sales could impact on farmers, with knock-on effects for rural communities.



Polarised macro environment

Increased political divergence

Positions are hardening reducing the likelihood of a compromise, necessary for a deal, being achieved.

Possible election

Every major party is preparing for an election and one is likely to be called before the new year. In addition to the logistical requirements the outcome will impact the nature of Brexit, funding available for Local Authorities and the wider economic environment.

Panic buying

The release of the YellowHammer documents and other reports on the possible impact of Brexit may cause public concerns over the availability of certain products.

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Your organisation

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

EEA citizens currently living and working in the UK will have a right to remain if there is no-deal; 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 is expected to end EU free movement of people after Brexit and 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 downturn associated with no-deal may increase demand for some services and reduce revenue from business rates and anticipated council tax revenue from new house building. No-deal may also increase costs in areas such as trading standards.

Actions to take before 31 October	Completed (Y/N)
Mobilise internal governance structures for business continuity and the local partnerships, including local resilience forums, responsible for managing and mitigating the impact of a no-deal Brexit.	
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 do they know how to apply .	
Assess what additional skills you will need to execute your Brexit plan: currently, the UK is expected to leave the EU on the 31 October 2019, which coincides with the Autumn half-term. Ensure you have the appropriate mechanism to manage staff holiday.	
Ensure that civil contingency plans are adequate, understood, resourced, and that effective communication and coordination is in place between local partners.	
Assess your potential financial exposure by considering scenarios around funding and service demand, and develop contingency plans 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 whether there is a need for a representative in the EU for GDPR purposes.	
Explore – with other Brexit coordinators – the opportunities for (i) sharing risk registers; and (ii) joining up plans with the Welsh Government and blue light services for national issues (eg fuel emergency planning).	

Actions to take after 31 October
Employers may find they need new or different skills in their workforce as a result of Brexit. This could comprise training in new processes across the workforce (e.g. regulatory changes) or the development of deeper skills of one or two individuals (e.g. customs administration).
There is a risk of increased staffing costs if wages are inflated because of skills shortages or other policy changes such as tax rises, enlargements to the minimum wage. 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](#)
- [Government guidance on workplace rights if there is a no-deal Brexit](#)
- [Brexit guidance from the UK Information Commissioner's Office](#)
- [Model Contract Clauses for data transfer between the EU and the UK](#)

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Preparing for no-deal



Your services and suppliers

All suppliers will be affected by Brexit, across a range of issues.

You need to ensure resilience and Brexit readiness throughout 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: some may be 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 OJ procurement process. Services will need to adapt to new administrative rules and demand volumes: what services will see increased demand or application of new rules?

Actions to take before 31 October	Completed (Y/N)
Identify critical suppliers (including key materials, logistics support and employment agencies) and speak to them to find out how prepared they are across all areas of no deal impact (e.g. logistics, customs, people, their own suppliers) and to communicate your Brexit plans. See Appendix A for example questions to ask suppliers.	
Bring suppliers together to share best practice and experience (eg catering contractors in schools, care homes and council offices).	
Outsourced services: ensure providers have robust Brexit plans and can guarantee business continuity and compliance with post-Brexit regulatory changes. (See Appendix A).	
Ensure your council has access to essential items such as food, toilet roll and road grit and agree mitigating actions for supply failure, identifying alternative suppliers.	
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 social care , regulatory services and transportation.	
Get ready for future regulatory changes impacting delivery across areas such as: i. Data protection ii. Regulating chemicals (REACH) ; iii. Exporting animals and animal products ; iv. Labelling tobacco products and e-cigarettes ; v. UK Conformity Assessment Marking ; and, vi. Producing and labelling food .	

Actions to take after 31 October
Refocus on the potential opportunities Brexit offers to transform the way that local government delivers some services. Consider areas such as devolution, the opportunity to develop the local workforce, collaborating with partners to address common challenges; and, the possibility to adopt different delivery models.

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](#)
- [Government guidance on food labelling changes](#)

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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 Brexit 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 Brexit. 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. Local authorities across Wales will be on the front line in managing the impact on their communities and economies, whilst also trying to protect their own financial resilience and capacity to act. Manufacturing, food, retail and farming are sectors expected to be most affected by Brexit.

Actions to take before 31 October	Completed (Y/N)
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.	
Take action to encourage Brexit readiness by local businesses and identify how you can support business Brexit plans.	
Communicate your approach to business continuity and emergency, providing reassurance around possible traffic backlogs at UK port towns and shortages of key items such as petrol and food.	
Undertake analysis to understand the nature of the businesses in your area and the extent to which they may be affected by a no-deal Brexit – particular focus should be given to mid-market businesses in retail, food and beverage and manufacturing sectors.	
Begin a dialog with the most vulnerable parts of your local economy: offer reassurance and support where necessary.	
Risk assess your major infrastructure projects and investment catalysts for growth and regeneration: funding, access to skills and a potential economic slowdown could all be factors that contribute to vital projects being delayed or stalled.	
Work with Brexit coordinators to prepare a set of consistent messages to communicate Brexit planning efforts and Brexit readiness whilst mitigating against scaremongering or fuelling social disorder and polarisation.	

Actions to take after 31 October
Use scenario planning to model how your organisation will respond to different economic outcomes such as another recession or foreign-owned businesses relocating outside the UK.
Revisit, risk assess and Brexit test your existing strategic plans and priorities, specifically those focusing on economic development and housing.

Key resources and additional information:

- [WLGA Local Authority Brexit Exposure Dashboards](#)
- [WLGA Regional Brexit 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 – Possible questions for critical/key suppliers

High level

- Has your organisation completed an assessment of the risks and opportunities presented by Brexit?
- Does this include consideration of a 'No-Deal' outcome?
- Has your organisation established a contingency plan to respond to Brexit?
- Does your planning cover the impact on core operations - including the impact on your business model, logistics and governance?
- Does your planning cover the impact on customers and markets - including ability to sell goods/services, additional costs to access markets and potential changes in demand?
- Does your planning cover the impact on people - including the ability to attract and retain EU nationals and the mobility of UK workers across borders?
- Does your planning cover the impact on indirect Tax and Customs - including changes to customs procedures, tariffs and the possible effects on cash flow and payments processing?
- Does your planning cover the impact on finance - including the effects of currency fluctuations and increased cost of manufacture, transport or storage following Brexit?
- Does your planning cover the impact on Direct Tax - including the UK's withdrawal from the EU Parent Subsidiary Directive, and potential withholding taxes on service income, royalties, dividends and interest?
- Does your planning cover the impact on suppliers and supply chain - including their ability to continue to provide goods/services?
- Does your planning cover the impact on Legal, Regulatory & Data changes - including the ability to operate overseas, new regulatory frameworks/standards and the implications for data storage and transfer?

More detailed

- Has your business built possible Brexit scenarios including 'No-Deal' and assessed the potential impact they may have?
 - If 'Yes', please provide an insight into the types of study you have undertaken.
 - If 'No', please detail the reason for this decision.
- **Procurement:** Have you implemented any change to the procurement of manufactured goods and the country from which they originate?
 - If 'Yes', please provide details of the changes.
- **Procurement:** Please detail any changes in where you have sourced raw materials differently to where you would have procured them 6 months ago?
- **Procurement:** Increased border controls and delays are becoming more likely as we approach the latest deadline at the end of October. How has this affected your operations?
- **Procurement:** Please confirm the average price rise increases that your business has experienced in the past 9 months?
- **Workforce:** Has there been a noticeable change in the demographics of your workforce which you could attribute to Brexit? In particular, has there been any noticeable emigration out of the UK?
- **Workforce:** Will you be exposed to a talent shortage if there are restrictions on the movement of labour e.g. might you lose a key employee(s)?
- **Workforce:** Have you investigated any potential new sources of labour should restrictions on the movement of labour come into force with the EU?
 - If 'Yes', where have you begun to look at?
- **Commercial:** Have your client, or yourselves begun to introduce 'Brexit Clauses' into your contracts?
 - If 'Yes', please provide details of any of these.
- **Commercial:** Have any of your trading partners sought to renegotiate existing contracts in light of Brexit?
 - If 'Yes', please provide any details where this has happened.

Disclaimer

This report has been prepared for the Welsh Local Government Association (WLGA) in relation to updating the previously prepared Brexit Toolkit based on the latest available information at the time of writing. This report is prepared for WLGA only. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than WLGA for our work or this document or for any opinions we have formed. We do not accept any responsibility for any loss or damages arising out of the use of this document by any third party.

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