

Senedd Cymru  
Y Pwyllgor Materion Allanol a Deddfwriaeth  
Ychwanegol  
Ymadael â'r Undeb Ewropeaidd: Paratodau  
yng Nghymru ar gyfer diwedd y cyfnod pontio  
EAAL(5) EUP12  
Ymateb gan Gymdeithas Llywodraeth Lleol  
Cymru (CLILC)

Welsh Parliament  
External Affairs and Additional Legislation  
Committee  
Exiting the European Union: Preparedness in  
Wales for the end of the transition period  
Evidence from Welsh Local Government  
Association (WLGA)

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## Introduction

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales, and the three national park authorities and the three fire and rescue authorities are associate members.
2. It seeks to provide representation to local authorities within an emerging policy framework that satisfies the key priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve.
3. We welcome the opportunity to respond to Senedd's External Affairs and Additional Legislation Committee's consultation on preparedness in Wales for the end of the EU transition period.

## Response to questions

4. Responses to the four main issues listed for the consultation are set out below. Overall, local authorities are as prepared as they can be, given the challenging conditions they face at present and the ongoing uncertainty regarding what trade and other arrangements will be in place from 1<sup>st</sup> January 2021. Local authorities have been refreshing the risk assessments and contingency plans they prepared in case of a 'no deal' Brexit last year so they are fit for purpose in the event of the EU transition period ending with no trade deal or only a slim deal.

### Welsh Government action to prepare Wales for the end of the transition period

5. From a local government perspective, Welsh Government (WG) has engaged constructively with WLGA and local authorities to assist with preparedness in numerous ways, as follows:
  - i. **European Advisory Group** – Cllr Rob Stewart<sup>1</sup> is a member of the high level European Advisory Group established by WG. This group brings together stakeholders from a variety of perspectives to receive updates and share views with the Counsel General and other Minister.
  - ii. **Local Government (EU) Preparedness Panel** – a panel of senior local government officers at Chief Executive and Director level has been meeting with a range of WG

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<sup>1</sup> Cllr Stewart is the WLGA Deputy Leader and Spokesperson on Economic Development, Europe and Energy.

officials, as appropriate, on a monthly basis to receive updates and offer strategic advice on how to deal with emerging issues. The LA representatives have been drawn on a regional basis and work with counterparts in their respective regions to share intelligence

- iii. **Service specific groups** – there are various groups meeting at a political and officer level looking at EU transition issues facing specific service areas including health and social care, economy and business, town centres, agriculture and rural matters, environmental principles.
- iv. **Political meetings** – WLGA Leaders have been meeting with WG Ministers on a regular basis to receive updates and discuss concerns. In particular, Cllr Rob Stewart and the Counsel General have monthly bilateral meetings. Other Ministers join those meetings depending on the subjects being discussed. Ministers have also provided updates to political meetings organised by or with WLGA, such as the Partnership Council, Economic Development Cabinet Members and the WLGA Rural Forum
- v. **Regular WG/WLGA officer meetings** – WLGA and WG officers working on EU transition have been meeting on an ongoing basis to maintain an overview and agree approaches and actions that are felt necessary. These meetings have been conducted in an open and positive manner, effectively working together as a single team.
- vi. **Funding for local authority (LA) co-ordinators** – over the last two years, WG has provided funding via WLGA to enable every LA to establish a co-ordinator post. These posts have played a key role in two-way communications – disseminating information across LAs and feeding back on local preparedness and issues being encountered. The co-ordinators have been responsible for undertaking risk assessments and developing contingency plans
- vii. **Funding for WLGA support programme** – WLGA has received funding from WG to provide support to LAs. This has enabled work to be conducted and commissioned once and then shared with all LAs, instead of all 22 undertaking similar studies independently. In the first year of the support programme, numerous meetings were organised, highlighting key issues facing individual service areas and the corporate centre of LAs. Data analysis and a toolkit were also provided to LAs to assist them in their preparations. This year, in light of Covid restrictions, meetings have been virtual and have focused on regular catch-ups with the LA co-ordinators, to facilitate sharing of good practice and intelligence. To support the programme, WLGA commissioned consultants to produce materials and studies for LAs. Grant Thornton were awarded the contract and have generated highly useful materials, all of which have been made freely available via the WLGA's website: <https://www.wlga.wales/brexit-transition-support-programme-for-welsh-local-authorities>
- viii. **Other funding support** – WG has provided small scale financial assistance to LAs to assist their work in relation to promotion of the EU Settlement Scheme to non-UK EU citizens, preparing for the expected increase in demand for Export Health Certificates, and establishing channels of support for those facing food poverty.

- ix. **Meetings with individual LAs** – WG has held meetings with individual LAs where appropriate. The best example of this is the work being undertaken with the Isle of Anglesey and Pembrokeshire in relation to preparedness work at the ports in their areas.
- x. **WG website and publications** – WG has produced a series of that reports and other information items and guidance documents that are available on its website (<https://gov.wales/eu-transition-period-brexite>).

The collective impact of all of the above WG action has been significant. It has helped ensure good information flows and enabled a range of actions that are critical in terms of preparing for and responding to the imminent ending of the transition period.

### Preparedness of key economic sectors in Wales

6. WLGA has concerns over the level of preparedness of businesses across all sectors for forthcoming changes. Some change is inevitable, regardless of the outcome of current negotiations between the UK Government and the EU. Businesses are already facing an extremely challenging period as a result to the Covid pandemic. Many companies, especially SMEs, are unlikely to have been able to put much time and resource into preparing for changes arising from EU transition.

7. In fairness, it is difficult for companies to prepare in detail whilst uncertainty remains over the outcome of current negotiations over trade and future relations with the EU. However, even some of the basic steps required by those engaged in importing and exporting (such as acquisition of an EORI number<sup>2</sup>) do not appear to be being taken in many cases. Equally many companies, whose direct trade takes place within the UK only, appear to believe that they will be unaffected. In reality, their supply lines could be disrupted at some points, prices may change, their current markets may be impacted (or lost altogether) and there may be issues affecting their labour supply arising from the ending of the EU transition period.

8. WLGA has commissioned a report from Grant Thornton on the impact of no trade deal or a slim trade deal<sup>3</sup>. The feedback they have received from companies and their representative organisations in the course of this work has reinforced the above fears over lack of preparedness. Most local authority economic development sections have been down-sized over recent years of cuts and have no, or limited, resource to undertake face-to-face business support. In any case, ongoing uncertainty in relation to many issues makes it difficult and risky for LAs to be offering advice. In most cases they can do little more than signpost businesses to sources of support and latest information, such as Business Wales, Welsh Government's Preparing Wales website and UK.GOV.

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<sup>2</sup> The Economic Operators Registration and Identification Number is already a requirement for customs purposes for businesses wishing to move goods between the UK and non-EU countries. From 1<sup>st</sup> January 2021 an EORI number will be needed to move goods between GB (and possibly N. Ireland) and the EU. If HMRC cannot clear goods, companies may incur storage fees.

<sup>3</sup> This work is still underway and the report is expected to be ready in early November.

9. Some sectors are doubly exposed, to both Covid and EU transition impacts. **Tourism** is an acute example. Covid has undermined the very basis of the sector's operations by restricting the movement of people. It was already a sector seen to be at risk as a result of the UK leaving the EU due to its heavy reliance on non-UK EU labour. If significant numbers from within that labour force decide to return to the EU and/or if new immigration rules restrict the numbers able to come to work in the UK, the sector could struggle to recruit in the hoped-for post Covid recovery period.

10. The **aerospace** sector has suffered significantly from the decline in air travel resulting from Covid. It is also one of the sectors where there will be major implications arising from whether a trade deal is agreed with the EU. Imposition of tariffs and/or non-tariff barriers on products moving between the UK and the EU will increase costs and could influence future investment decisions. Any shift over time towards a concentration of production within the EU to avoid these costs could have a devastating effect on some local economies in Wales. These effects would be not only direct but also indirect, in light of the negative multiplier impact on local spending and on service and supply companies who currently benefit from their presence and operation.

11. As with aerospace, the **automotive** sector has additional challenges associated with climate change and the need to decarbonise. With the shift from petrol and diesel towards electric and possibly hydrogen vehicles, there will be a need for re-investment. This will impact on supply chains, with changes in the range of components required. As above, decisions on the next wave of investment could be influenced by the nature (or absence) of any trade deal. Knock-on effects of decisions by large players in the industry could reverberate throughout the sector. These concerns over future investment plans apply equally to a range of other **manufacturing** operations in Wales.

12. **Agriculture** is another sector at major risk if large tariffs are imposed on exports to the EU, rendering UK products uncompetitive. Whilst much work has been done to identify the potential impact of different scenarios, the options for Welsh farmers are limited, especially for hill sheep farmers. Equally, there are concerns over the possibility of trade deals with other countries with lower animal welfare standards and/or cheaper labour costs resulting in cheaper food imports that undercut domestic producers. At a time when unemployment and economic inactivity are expected to rise substantially, the price of goods will be a determining factor in consumer choice. High quality, domestically produced food products could have a limited market.

**Fisheries**, too, face major challenges. Their exports (shellfish in particular for Wales) are perishable and therefore delivery is time-critical. Delays at ports will reduce the attractiveness of these products and could result in lost markets as alternative suppliers are identified.

13. There has generally been less attention given to the impact of the ending of the transition period on the **service sector**. However, some of the implications could be equally serious in a number of areas such as **financial services** and **data management**. If 'adequacy' requirements of the EU are not met, this could result in loss of markets and/or access to information once the UK becomes a 'third country'.

The implications for preparedness arising from the negotiation of UK international agreements, including the UK-EU future relationship agreement (or agreements), other significant free trade agreements (e.g. UK-USA, UK-Japan, UK-Australia, UK-New Zealand etc.), and the Continuity Negotiations and Coordination programme (formerly referred to as the Trade Agreement Continuity Programme)

14. The main implication of all the above negotiations is the uncertainty that exists pending the outcomes, making preparation difficult. The Grant Thornton research referred to above will hopefully provide some more insight into the issues surrounding no trade deal or a slim trade deal with the EU.

15. Although the focus at present is on the possibility of a free trade deal there are, of course, many aspects other than trade that relate to the future relationship between the UK and the EU. These include questions over co-operation on energy, aviation, telecommunications, research collaboration, data sharing, law enforcement, social security co-ordination and future participation in EU programmes and so on. The outcome of negotiations on all these areas undoubtedly will have implications. However, these are presently unclear, as is where impacts will be felt. It is difficult to prepare in the absence of such information. More detail is needed on potential outcomes and what they would mean in practice, to enable, first, informed input to debates where necessary and, then, necessary preparatory work to be undertaken. From a local government perspective, the direct implications of these other aspects of future relations *may* be limited, but it is not possible to say definitively at present. For example, any restrictions on the free flow and exchange of data could have significant ramifications for some services.

16. In relation to other trade deals either under discussion or to be 'rolled over' from existing EU FTAs there are two main points to make. First, these are generally less significant in volume and value terms than the potential trade deal with the EU. Second, there nevertheless may be specific elements of these deals which could have a major impact on businesses in Wales. As outlined above, for example, FTAs with countries that permit the import of low cost food products could undermine food producers in Wales.

Intra-UK intergovernmental agreements relating to the end of the transition period, including the common frameworks programme.

17. WLGA responded to the UK Government's consultation on the UK Internal Market Bill. That response made it clear that voluntary intra-UK governmental agreements via the common frameworks programme are the preferred route to establishing a UK internal market. The Bill's principles of mutual recognition and non-discrimination would undermine the ability of Welsh Government to take decisions on devolved matters. Other concerns relate to the proposed powers for UKG to spend in devolved areas throughout the UK, again failing to respect the devolution settlement.

18. The internal market of the EU established a floor, permitting Member States and devolved administrations to exceed the standards set. The risk with the principles in the Bill is that they would enable one part of the UK to accept a lowering of standards which would then have to be recognised throughout the UK.