

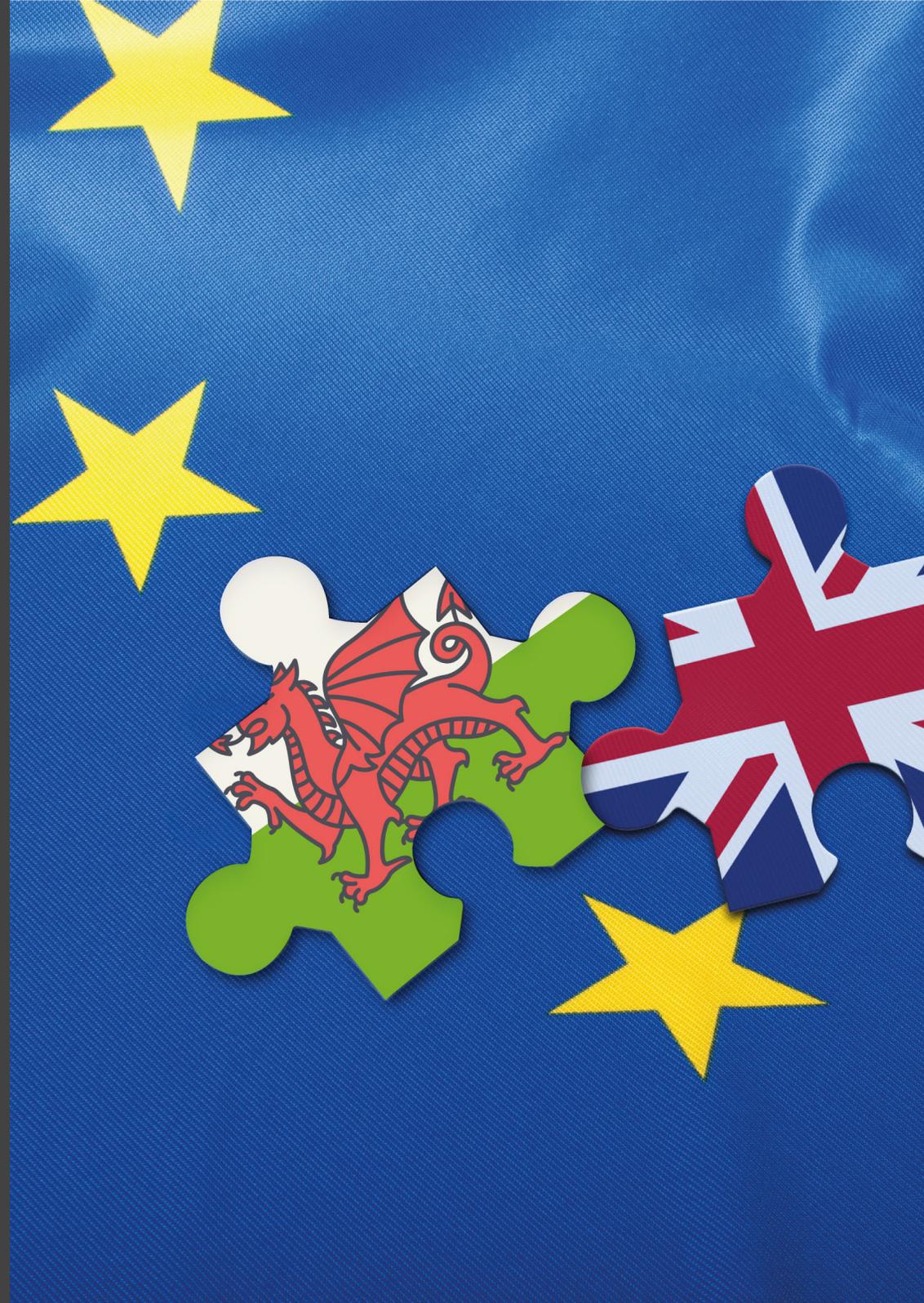
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Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Preparations in Wales for a 'no-deal' Brexit



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU



This report has been prepared for presentation to the National Assembly under the Government of Wales Act 2006 and Public Audit (Wales) Act 2004.

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**Mae'r ddogfen hon hefyd ar gael yn Gymraeg.**

# Contents page

<b>About this report</b>	<b>4</b>
<b>My overall view and key messages</b>	<b>7</b>
Uncertainty cannot be an excuse for inaction, and audit must not be viewed as a barrier to effective planning for Brexit	7
Further strengthen and deepen the ‘one public service’ approach to preparations	8
Strengthen civic leadership on preparations for a ‘no-deal’ Brexit	9
<b>Key findings</b>	<b>10</b>
Public bodies are developing new structures for managing the consequences of Brexit alongside long-standing arrangements	10
Public services report a lack of capacity to manage Brexit, which is also having a significant knock-on impact on other service areas	13
All bodies have identified the risks and some opportunities of Brexit, but the extent to which they have plans to mitigate those risks varies	13
<b>Appendix 1 – Sector based summaries</b>	<b>21</b>
Local Government	21
NHS Bodies	22
Welsh Government Sponsored Bodies and associated organisations	23
Fire and Rescue Services/National Park Authorities	24
<b>Appendix 2 – Pan public-sector and Welsh Government arrangements</b>	<b>25</b>
<b>Appendix 3 – Audit Methods</b>	<b>28</b>

## About this report

- 1 In autumn 2018, I decided to review Welsh public bodies' arrangements to manage the implications, risks and opportunities of Brexit. In working out the scope of my work, I have been mindful of the Welsh Government's view that the impacts of Brexit on Wales cannot be fully mitigated and that many relevant policy areas are reserved to the UK Government. I am of course also aware of the ongoing political uncertainties about the form of Brexit and that Brexit is a new challenge for all public bodies, so there is no 'off the shelf' map or toolkit of what to do. As such, I do not expect every public body to have exhaustive plans for every implication, risk and opportunity of Brexit.
- 2 In November 2018, we invited the Chief Executives of devolved public bodies in Wales to share with us evidence of their preparations for Brexit. All have now replied, and most also completed a self-assessment. In addition, we have carried out detailed fieldwork looking at the Welsh Government's own preparations and arrangements for Brexit, taking account of its wider leadership role across the Welsh public sector.
- 3 When I decided to carry out this work, I originally planned to produce a report in late summer 2019. But I also recognised that I might need to report sooner if a 'no-deal' Brexit (**Box 1**) in March looked to be a significant probability. With only a very short time to go, Parliament is yet to ratify the Withdrawal Agreement that the UK Government has negotiated with the European Union (EU). The legal position is that the UK will leave the European Union at 11pm on 29 March 2019, regardless of whether the Withdrawal Agreement is ratified. There are several ways in which that could change. But at the time of publication, there is still a significant chance of a 'no-deal' Brexit.

## Box 1: what is a 'no-deal' Brexit?

A 'no-deal' Brexit means that the UK leaves the EU without a Withdrawal Agreement in place. There would be no transition phase or agreement on the future relationship. The UK would stop being part of the single market and customs union and would no longer be part of EU trade agreements with the rest of the world. It would trade on World Trade Organisation rules until it negotiates new trade and customs agreements. As a result, new checks would need to be carried out on goods leaving the UK and those entering, with potential consequences for ports and disruption to supply chains.<sup>1</sup> New arrangements would need to be put in place for industries that currently operate under EU rules and regulatory bodies.

The UK Government, EU and Welsh Government have each produced advice and information<sup>2</sup> setting out the potential consequences of a 'no-deal' Brexit. The UK Government expects to reach agreement with the EU on specific issues to avoid the most disruptive consequences of a 'no-deal' Brexit. In December 2018, the European Commission announced that it would introduce temporary measures in some areas, such as citizens rights, carriage of freight and aviation to mitigate some of the impacts of a 'no-deal' Brexit.

- 4 As Auditor General for Wales, I have no view on the political discussions or policy decisions about the form that Brexit should take. But I do have a role in providing assurance on the Welsh public sector's approach to managing the implications of a 'no-deal' Brexit. Given that 29 March is getting ever closer and the window for acting is narrowing, I am setting out in this paper my early views on the evidence I have gathered, together with some key messages for public bodies, to help with their planning in the coming weeks and months.
- 5 My findings come with some significant caveats on the nature of the work I have carried out (Box 2).

- 1 The UK Government has said that it will initially put in place 'transitional simplified procedures' for goods arriving from the EU. The EU has said it will apply its rules to all imports from and all exports to the UK.
- 2 UK Government notices can be found at <https://www.gov.uk/government/collections/how-to-prepare-if-the-uk-leaves-the-eu-with-no-deal>; The Welsh Government's advice and information can be found at <https://beta.gov.wales/preparing-wales>; The EU's December 2018 contingency notice is at [https://ec.europa.eu/info/publications/communication-19-december-2018-preparing-withdrawal-united-kingdom-european-union-30-march-2019-implementing-commissions-contingency-action-plan\\_en](https://ec.europa.eu/info/publications/communication-19-december-2018-preparing-withdrawal-united-kingdom-european-union-30-march-2019-implementing-commissions-contingency-action-plan_en)

## Box 2: caveats on the remit, scope and evidence used to underpin my work

- **Remit:** My work has covered the devolved bodies. Many of the key implications of Brexit relate to non-devolved issues, such as immigration, customs and border control. I have looked at how Welsh public bodies are engaging with UK authorities, but it is not my role to comment on the effectiveness of UK Government arrangements. The National Audit Office has produced several reports on UK Government Departments' preparations for Brexit<sup>3</sup>. The latest of these reports have shown that in some areas that impact Wales, there are likely to be significant challenges in a no-deal scenario. In particular, the National Audit Office's (NAO) October 2018 report on the UK border found that 'If there is no withdrawal agreement, the government has recognised that the border will be 'less than optimal'. [The NAO agrees] with this assessment, and it may take some time for a fully functioning border to be put in place. Individuals and businesses will feel the impact of a sub-optimal border to varying degrees. The government is putting in place coping responses where it can. How effective they will be remains to be seen.'<sup>4</sup>
- **Scope:** Brexit is extremely complex and there remain unknown potential consequences. My work has taken a high-level overview of whether Welsh public bodies have arrangements in place to identify and manage the implications, risks and opportunities. I have not examined in depth or tested the quality and effectiveness of those arrangements nor whether they are likely to work in practice. It would be impractical to carry out such in depth work across all public bodies and all potential areas of risk and opportunity in a reasonable timeframe.
- **Evidence:** Much of the evidence on which I have based my findings was gathered in November and December 2018. The quality of the evidence provided is variable, and some bodies provided only limited detail. I am conscious that events are moving fast, and that further work is being done as planning for a 'no-deal' Brexit gets accelerated. More detail on the methods used in this work is in [Appendix 3](#).



<sup>3</sup> [https://www.nao.org.uk/search/pi\\_area/exiting-the-eu/type/report](https://www.nao.org.uk/search/pi_area/exiting-the-eu/type/report)

<sup>4</sup> National Audit Office, **The UK border: preparedness for EU exit**, (October 2018)

## My overall view and key messages:

- 6 Overall, most public bodies across Wales are clearly taking their 'no-deal' Brexit planning seriously. Many have significantly ramped up their activity since summer 2018, when a 'no-deal' outcome started looking more possible. The Welsh Government has taken a clear lead in planning for a no-deal Brexit, working with the UK Government. However, the picture varies across the Welsh public sector. Some bodies have done a lot of preparation. Others reported that continuing uncertainty meant they had made only limited preparations so far. There are still major challenges and uncertainties that all Welsh public bodies are grappling with. Many bodies are struggling to find the dedicated capacity to plan for Brexit and are undertaking work on top of the day job. The Welsh Government and many public bodies have been clear that it is not possible to fully mitigate the impacts of a 'no-deal' Brexit, especially on the Welsh economy. There is still some considerable way to go to turn the planning into reality, to finalise plans, test arrangements and to make sure that they are resilient. As 'no-deal' planning accelerates and contingency plans start to be activated in the coming weeks, I have set out some key messages for public services across Wales (Figure 1).

Figure 1: Auditor General's key messages for Welsh public services

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### Uncertainty cannot be an excuse for inaction, and audit must not be viewed as a barrier to effective planning for Brexit

- **I will not criticise reasonable 'no-deal' Brexit expenditure as wasteful:** It appears there are some concerns that I would give Welsh public bodies a hard time for spending money and time planning for a 'no-deal' Brexit. There is a view that, because the outcome is unclear, and some spending may turn out not to have been required if the 'no-deal' scenario does not materialise, I will criticise that as waste.



At the end of January 2019, I wrote to all Chief Executives of public bodies, to say clearly that I will not criticise anybody for taking reasonable steps to prepare for and mitigate Brexit related risks. Brexit poses some unprecedented challenges, and opportunities, that must be planned for. As long as a 'no-deal' Brexit remains a possibility, acting to manage potentially significant implications before it becomes too late is not a waste of money.

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## Further strengthen and deepen the 'one public service' approach to preparations

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- **Plan together:** One of the positive things I have seen and heard is that Brexit planning has spurred organisations to work across silos and there are many good examples of public services working together to understand and plan for a 'no-deal' Brexit. Nonetheless, there remains scope for greater collaboration in developing and delivering plans to manage common issues and risks. With weeks to go to a possible 'no-deal' Brexit, the Welsh Government has a key role in increasing the frequency with which various national forums meet to ensure a consistent and coherent pan-public service response.



- **Share capacity and resources:** Brexit is taking place against the context of an extended period of financial austerity in public services. Many bodies are concerned that they lack the staff and expertise required to plan effectively for, and manage the consequences of, Brexit. In my view, there is scope to share better the capacity and expertise that does exist, both within and between the different sectors in our public service and in partnership with the private and third sectors. Public bodies should also look to the available transition funding to build a shared pool of staff, to help fill the capacity gaps that exist and to work across bodies and sectors.



- **Test plans and learn together:** The UK Government has stated that a 'no-deal' Brexit could create disruption over a six-week period or even longer. Existing civil contingency arrangements are robust but are generally used for short-term emergencies such as extreme weather, and for large one-off events such as the NATO summit in Newport. To the greatest extent possible, I would like to see public bodies build on existing collaborative work to help ensure the continued resilience of national and local contingency plans against longer time-frames. Welsh public bodies should also build on their contacts with other parts of the UK to exchange lessons from planning and testing across the UK.



## Strengthen civic leadership on preparations for a 'no-deal' Brexit

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- **Strengthen scrutiny:** The evidence we received suggests that cabinets, scrutiny committees and boards now need to ramp up their own activity in providing independent and democratic oversight and scrutiny of Brexit planning and action. Across the majority of Welsh public bodies, and with the exception of the Welsh Government itself, Brexit preparations have been led by executive teams with limited non-executive input or challenge.



- **Communicate and engage openly and clearly with the public.** Public bodies across Wales have generally been waiting to engage with the public until they have greater certainty on the outcome of Brexit. However, with the date getting close, it is vital that public bodies start having conversations with the public and key stakeholders, to help avoid unnecessary panic and disruption. Many people are naturally worried about stories about shortages of certain goods. Small changes in individual behaviour such as stockpiling medicines, fuel and food can have significant consequences at a population level. Many EU citizens living and working in Wales will also want to know what will happen to them.



It is crucial that public bodies have a clear, measured and consistent story to tell the public about the potential impacts of a 'no-deal' Brexit, and the plans that are being made. The Welsh Government's online 'Preparing Wales' site provides a helpful starting place and it is now important that all public bodies help to spread those messages to the public and communities that they work with and are available to deal with the public's queries about what will happen.

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## Key findings

- 7 **Public bodies are developing new structures for managing the consequences of Brexit alongside long-standing arrangements.** There are a range of national and regional committees and working groups to deal with specific aspects of Brexit, some of which have been specially created. There are tried and tested national and regional arrangements for civil emergencies and contingency planning. These forums are leading planning for some elements of a 'no-deal' Brexit. However, individual bodies' arrangements vary considerably (Figure 2). In most public bodies, Brexit preparations are largely led by officers. There is a risk of a gap in civic leadership if there is not clear ownership and scrutiny of plans by elected councillors and independent members of boards. The Welsh Government has taken positive steps to engage public service leaders through the Partnership Council, which held a special meeting on Brexit in January 2019. As contingency plans become firmer and we move closer to implementation, I would like to see a further strengthening of scrutiny by councillors in local government and by independent members of boards across NHS Wales and the central government bodies.

Figure 2: arrangements for responding to Brexit across devolved Welsh public services

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- **Pan public sector arrangements**

There are separate pan-public sector arrangements for civil contingencies and for what the Welsh Government calls the ‘new normal’ of a different set of post-Brexit rules and systems.

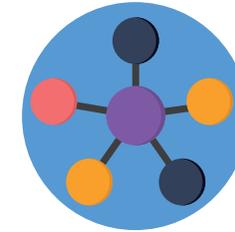
The **Wales Resilience Group** chaired by the First Minister, provides national leadership on civil contingency. It has two sub-groups. The **Wales Resilience Forum** brings together all the emergency services. The **Wales Risk Group** brings together Public Health Wales, the four chairs of the Local Resilience Forums (see description below) and the Welsh Government.

There are several forums on Brexit that involve different parts of the public sector. There include the European Advisory Group, Council for Economic Development; Environment and Rural Affairs Brexit roundtable and a very recently set up Local Government (EU) Preparedness Advisory Panel.

Existing groups are also being used to discuss plans for Brexit, including the Partnership Council, which brings together political leaders from local government and leaders in other public bodies and the third sector, the Workforce Partnership Council, Faith Forum and the Third Sector Partnership Council.

Welsh Government policy divisions have a range of national forums through which they co-ordinate pan-public service action and engagement with other stakeholders to prepare for Brexit in specific policy areas.

The Welsh Local Government Association and the Welsh NHS Confederation both also have arrangements for bringing together bodies within their sectors to share information on planning for Brexit.



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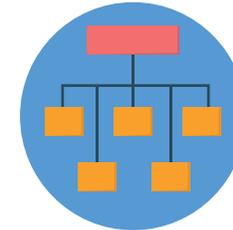
- **Internal Welsh Government arrangements**

The Welsh Government has a governance framework for Brexit preparedness work (see diagram in [Appendix 2](#)).

A Cabinet Sub-Committee on European Transition provides political direction.

The European Transition Officials Group brings together policy leads from across the Welsh Government. The Group has six cross-cutting sub-groups. These cover funding, frameworks, economy, preparedness, communications and legislation.

There are also dedicated Brexit teams in each policy area working on preparations for Brexit, who are liaising with their counterparts around the UK. The European Transition Team organises the overall programme of Brexit work. It checks that work in Wales links to UK wide work, and that progress is being made in line with key milestones.



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- **Regional arrangements**

In their responses, most bodies referred to Brexit civil contingencies preparations taking place through the Local Resilience Forums. These regional bodies have statutory responsibilities under the Civil Contingencies Act 2004. They comprise representatives from devolved bodies and non-devolved services, including the local authorities in the area, Police, Fire, NHS bodies, the armed forces and representatives of national bodies such as Natural Resources Wales and the Welsh Government.



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- **Local arrangements within individual bodies**

The arrangements that individual bodies have put in place vary considerably both within and between different sectors. Some have detailed organisation-wide structures, but some simply had a notional lead official. [Appendix 1](#) sets out the arrangements in different sectors in more detail.



- 8 **Public services report a lack of capacity to manage Brexit, which is also having a significant knock-on impact on other service areas.** Work to prepare for Brexit needs to be understood in the context of a decade of tight financial settlements and a shrinking public sector workforce. The Welsh Government has created 198 additional new staff roles on fixed-term contracts to work on Brexit. However, in many cases, rather than bring in new people, it is moving existing staff from their normal duties to take up Brexit roles and some of the new recruits will cover vacancies created by people moving to work on priority Brexit roles. Officials report that there are gaps in the delivery of non-Brexit related work. Across the wider public service, very few bodies have taken on new staff to prepare for Brexit. Most are absorbing Brexit preparations within, or on top of, their day jobs. Local government is concerned that sustained financial pressures over the last decade have made councils much more focussed on simply sustaining service delivery. As a result, there are now far fewer staff members who still possess the cross-cutting policy and planning expertise that is needed to prepare for Brexit. In the NHS, my wider audit work has identified ongoing concerns about management capacity in relation to transforming services. This same cadre of management staff is being called on to prepare for and manage the implications of a 'no-deal' Brexit. Most bodies reported to us that their work on Brexit was having an adverse impact on other areas, although they did not quantify or spell out the exact nature of those consequences.
- 9 **All bodies have identified the risks and some opportunities of Brexit, but the extent to which they have plans to mitigate those risks varies.** All public bodies have done some work to understand the implications of a 'no-deal' Brexit, especially the risks. The Welsh Government is taking a lead role in identifying and managing national and strategic risks, working with colleagues in the UK Government and the other devolved administrations. While at times, the Welsh Government has found it difficult to get complete or timely information from some UK Government departments, we were told that those working relationships have improved over recent months. The Welsh Government has a detailed programme of work to address the implications of a 'no-deal' Brexit, which links to UK-wide planning. For those projects where it is leading on preparations, the Welsh Government appears to be largely on track against its milestones. The Welsh Government also oversees the use of its EU Transition Fund (Box 3) for a varied range of projects and programmes aimed at helping to prepare Wales for Brexit. The Welsh Local Government Association reported that since we carried out our fieldwork, it has bid into the EU Transition Fund for additional capacity to support corporate co-ordination of Brexit planning across local government. Also, service areas such as social care and environmental health, where there are specific risks, are in the process of preparing bids for additional funding for preparation work.

### Box 3: the EU Transition Fund

In January 2018, the Welsh Government announced a £50 million EU Transition Fund. The fund is intended to help businesses, public services and the third sector to prepare for Brexit, in line with the priorities identified in the Welsh Government's key policy paper on Brexit: 'Securing Wales' Future'.

The Fund focuses on those Brexit-related matters that sit within devolved powers, works alongside existing methods of Welsh Government financial support, and is intended to be available through the transition period to December 2020. The Welsh Government has adopted a flexible approach in considering applications for funding, using broad criteria that can cover a wider range of potential projects.

To date the Welsh Government has allocated approximately half of the £50 million fund across a wide range of proposals. More proposals are currently being developed with potential recipients. Funding approved to date has included the following areas:

- £7.5 million to fund a Business Resilience scheme to aid business in Wales to adapt to a post Brexit business environment;
- £6.0 million for training and up-skilling the workforce in Wales' automotive and aero-industry sectors;
- £5.0 million to support farming, food and fishing sectors post-Brexit;
- £3.5 million support for Welsh Universities to drive international partnerships and promote Wales as a study destination;
- £0.35 million to partner with the Organisation for Economic Co-operation and Development (OECD) to inform the future regional investment approach;
- £0.20 million for research work on likely impacts and implications for the social care workforce;
- £0.21 million to help prepare the health service in Wales for Brexit, including £150,000 for the Welsh NHS Confederation to lead on engagement and communication and £60,000 to Public Health Wales NHS Trust to work on health security;
- £0.15 million for the Welsh Local Government Association to support local authorities with plans and preparedness for Brexit;
- £0.15 million to support the Welsh Council for Voluntary Action to consider how Brexit will impact on community services in Wales.

- 10 Across NHS Wales, individual organisations have been helped in understanding their exposure to risks and possible opportunities by work by Public Health Wales and through work on supply chains related to medical devices and clinical consumables carried out by Deloitte. The NHS is putting place detailed plans, working with UK partners, to manage those risks it has identified.
- 11 In local government, many councils have been using a guide that the Welsh Local Government Association commissioned Grant Thornton to produce. Based on their self-assessments, only a minority of councils had clear plans to deal with the risks they have identified. Some bodies were delaying work until there is greater certainty.
- 12 My overall summaries of the different sectors based on the evidence they supplied are set out in [Appendix 1](#). However, I recognise that many bodies were in the process of accelerating their plans as they completed their self-assessments before Christmas and I would expect that many of those bodies will now be developing clearer and more detailed action plans. [Figure 3](#) sets out the key issues that public bodies have identified. I have not tested whether the plans to address those issues are likely to mitigate the risks in a 'no deal' scenario.

Figure 3: key issues that public bodies have identified

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- **Ports:** There are concerns over the impact Brexit could have on Welsh ports due to additional customs and regulatory checks. The key policy areas around ports – such as customs, border control, new ICT systems and immigration – are not devolved. The Welsh Government is working with the UK Government, through the Wales Ports and Airport Border Planning Steering Group, and the relevant local authorities to plan for possible traffic disruption if there is a ‘no-deal’ Brexit.
  - The Welsh Government considers Holyhead in Anglesey to be of higher risk than other ports as it is the busiest port in Wales and has less flexibility than the ports in West Wales to manage queues of lorries in the immediate vicinity of the port. The Welsh Government and Isle of Anglesey County Council are developing contingency plans, including plans for ‘holding’ lorries facing delays, in the event of a ‘no-deal’. As well as the extra checks, the Welsh Government and local authorities are also seeking to address broader concerns relating to the wider impact on the local area and economy around the ports, due to the important role they play in providing employment.
  - The National Assembly’s External Affairs and Additional Legislation Committee reported<sup>5</sup> in November 2018 on preparedness for Brexit in ports and the Welsh Government responded<sup>6</sup> in January 2019 to the Committee’s recommendations.



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5 External Affairs and Additional Legislation Committee, **Preparing for Brexit – follow-up report on the preparedness of Welsh ports**, November 2018

6 Welsh Government, **Written Response by the Welsh Government to the report of the External Affairs Committee entitled Preparing for Brexit: Follow-up report on the preparedness of Welsh Ports**, January 2019

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- **Medical and consumables supply chains:** There has been much speculation about the availability of medicines, in the event of disruption to supply chains at ports and airports. The Welsh Government's Health and Social Services Group has been working with their counterparts across the UK. The UK Government is leading on work with the pharmaceutical industry to develop contingency plans to create a 'buffer' supply of medicines. The Welsh Government advises that individual NHS bodies, care homes and the public should not stockpile medicines and other medical supplies themselves.



- The Welsh Government and NHS bodies are taking a lead in developing plans to ensure continued supply of consumables and equipment. NHS bodies worked with Deloitte to look at potential risks to supply chains in Wales. The action to manage these risks includes procuring additional warehouse capacity to stockpile supplies.
- The NHS in Wales is also working with the rest of the UK to develop contingency plans for other medicines and supplies, such as radioactive isotopes, with a short life-span where stock-piling may not be a solution. The Welsh Government is working with the UK Government on contingency plans, which potentially include extra capacity to fly such medicines and supplies in the event of a 'no-deal' Brexit.
- Some NHS bodies told us that the process of reviewing supply chains had positive benefits beyond mitigating risks, as they were now much more aware of wider opportunities to make their supply chains more efficient and effective.

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- **Food supply chains:** The UK Government has recognised that there may be disruption to supplies of some perishable foods in a "no-deal" Brexit scenario. Many food producers and retailers are stockpiling refrigerated goods. However, some imported fresh food with a very short shelf life could get caught up in delays at the UK's ports and airports.
  - Several bodies highlighted to us risks of disrupted food supplies to hospitals, schools, care homes and for meals on wheels. At the time of drafting, planning for potential food shortages was accelerating: some individual bodies were reviewing their food supply chains and developing individual plans and there was some early thinking being done on pan-public service approaches.



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- **Workforce:** There are around 48,400 EU nationals working in Wales (around 3.6% of the workforce). Welsh Government figures show EU nationals make up around 2% of the public sector workforce. That figure varies across different public services. For example, around 7% of medical and dental staff are EU nationals. Most bodies have tried to assess the number of EU staff they employ, although many found it difficult as they do not record the nationality of all staff.
  - There are also concerns, particularly among NHS bodies, about whether there will be mutual recognition of qualifications after Brexit and uncertainty about the impacts of future migration policy on recruitment and retention in areas where there are staff shortages.
  - In general, public bodies told us that they thought the workforce risks were more medium to long-term and that the risk of staff suddenly leaving in March 2019 was limited. Nonetheless, most said they would keep a watching brief and were seeking to reassure their EU staff.
  - There were specific concerns expressed to us about some parts of the health and social care sector, which are particularly dependent on EU workers. Social Care Wales has commissioned an in-depth review of the EU social care workforce, using £0.2 million from the Welsh Government European Transition Fund. The review is due to report in March 2019.
  - NHS Wales Shared Services Partnership are considering whether there is any significant variation in the levels of non-UK EU nationals employed through agencies.



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- **Financial risks:** Many bodies identified concerns around the nature and financial value of any replacement for European Union funding. Our 2018 reports on the Structural Funds<sup>7</sup> and the Rural Development Programme<sup>8</sup> set out the key issues and show that planning for a ‘no-deal’ scenario has been in place for some time.



- The UK Government has guaranteed to cover Wales’ allocation of EU Funds under the current round of funding, in the event of a ‘no-deal’ Brexit. There remains uncertainty over what will replace EU funds over the longer-term. The Welsh Government and Welsh European Funding Office are doing a lot of work to prepare for whatever new schemes are agreed.
- Several bodies also identified key risks around the wider fiscal impacts of a ‘no-deal’ Brexit, if there is a hit to the economy and a consequent squeeze on public finances. Some also highlighted the risk of increased costs of some supplies, due to changes in the exchange rates and any additional customs duties.

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- **Legislation:** One of the key challenges for the Welsh Government and National Assembly for Wales is the volume of legislative work required to prepare for Brexit. Many of the laws and regulations that the Welsh Government applies are based on EU laws or refer to the European Union. These laws will need to be amended ahead of Brexit. By early February 2019, 29 Statutory Instruments related to Brexit have been laid for sifting in the National Assembly for Wales. The Welsh Government has hired new staff to deal with Brexit related legislation. The National Assembly for Wales has reprioritised existing staff to work on Brexit and is continuing to closely monitor its capacity to manage the increased legislative workload resulting from Brexit.



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- **Agricultural exports:** Some rural authorities and national parks raised immediate concerns about the potential loss of the EU market for lambs that will be born in spring, around the time of Brexit. The Welsh Government is analysing the impacts of a ‘no-deal’ Brexit on the red meat industry, is developing contingency plans and has provided £2.15 million of funding to support the Welsh red meat sector. Some councils are also concerned about the wider implications on the local economy and demand for services if farmers face economic difficulties.



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7 Wales Audit Office, **Managing the Impact of Brexit on EU Structural Funds**, August 2018

8 Wales Audit Office, **Managing the Impact of Brexit on the Rural Development Programme in Wales**, November 2018

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- **Economic impacts:** One of the key concerns that has been identified by the Welsh Government and some bodies is the wider economic impact of a ‘no-deal’ Brexit on Wales. The Welsh Government has been clear that the negative economic impacts cannot simply be managed away. The Welsh Government provided £7.5 million of funding through the European Transition Fund to set-up the Business Resilience Fund, aimed at assisting businesses to prepare for a different trading relationship after Brexit. From this fund, Business Wales have been assigned £1 million to provide emergency financial support to small and medium-sized businesses in Wales. One local authority told us it had been working with local businesses to understand how they can work with them to manage the risks and exploit any opportunities from Brexit.



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- **Wider well-being:** Some public bodies provided evidence about wider risks to well-being.
  - Public Health Wales has carried out a Health Impact Assessment analysis which assesses Brexit from a Welsh perspective using the public health lens of the social determinants of health and population health and detailed work looking at the potential health and wider well-being implications of Brexit, identifying a range of potential negative impacts as well as opportunities<sup>9</sup>.
  - A few local authorities also raised concerns about community cohesion and tensions. The Welsh Government has approved £2 million of additional funding from the Community Facilities Programme to develop community facilities that improve community cohesion.



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9 Public Health Wales, **The Public Health Implications of Brexit in Wales: A Health Impact Assessment Approach**, January 2019

# Appendix 1 – Sector based summaries

## Local government

1. Councils are looking to the Welsh Government and the Welsh Local Government Association (WLGA), for centralised support in preparing for Brexit. The WLGA has received £150,000 funding from the Welsh Government's European Transition Fund to deliver a Brexit Transition Support Programme for Welsh local authorities and has produced briefings and guidance, including guidance to support scrutiny committees. The WLGA has been working with counterparts across the UK to share intelligence on Brexit. Councils have been liaising with the WLGA and the Welsh Government, responding to consultations, attending events and using the WLGA toolkit. However, formal collaboration and sharing of resources between councils has been limited.
2. The structures and processes in place and amount of preparation varies greatly across the sector. While senior leadership teams have general oversight for the preparing for Brexit, very few have dedicated Brexit officers or resources, with work instead being undertaken on top of the day job. Specific and detailed political scrutiny of Brexit preparedness has generally been limited. Brexit features on risk registers considered by Audit Committees, but the detail is varied: some councils have separate Brexit issue logs whilst others have little detail beyond listing Brexit as a risk.
3. Councils have identified a range of risks but few opportunities. The issues that councils raised generally match those in the main report ([Figure 3](#)). However, many councils emphasised that the prolonged period of tight funding settlements made it much more difficult to prepare for the risks they had identified.
4. In general, the Brexit implications that councils identified are short term in nature, although some had considered longer term economic and social impacts. Only a minority of bodies had clear plans in place to mitigate the impacts of Brexit that they identified. Some bodies have expressed the view that preparedness work has been deliberately limited due to the uncertainty surrounding the outcome of Brexit. Some councils have adopted a watch and wait approach, although the pace of preparedness is increasing. The Welsh Local Government Association told us that those authorities that were taking a watch and wait approach have more recently started to take action to progress their planning for a 'no-deal' Brexit.
5. Councils identified the importance of providing consistent outward facing messages concerning Brexit to external stakeholders, and the risk of providing inaccurate information. However, communication to external stakeholders has been limited to date, partly because of the uncertainties surrounding Brexit and the risk of providing inaccurate information. However, communication is now increasing as Brexit nears, and some councils have dedicated Brexit sections on their websites.

## NHS bodies

6. At a European and UK level NHS bodies are represented by the Welsh Government and the Welsh NHS Confederation who participate in various forums that discuss and plan for Brexit. The Welsh Government is working particularly closely with the UK Government on areas, such as medical supplies that have implications for the whole UK.
7. Information from these forums is disseminated to the Health Boards via several Welsh Government led groups, Public Health Wales and Welsh NHS Confederation updates. The Welsh Government's Health and Social Services EU Transition Leadership Group oversees the work of five all-Wales groups covering: supply chain resilience; health security; the NHS Senior Responsible Officers (the leads on Brexit from each NHS body); communications; and civil contingency planning. The supply chain group has been supplemented by health board specific groups who have been tasked with identifying and liaising with local suppliers. In addition to the sector specific groups, NHS bodies take part in forums that bring together all public services; these include the Local Resilience Forum, Regional Partnership Boards and the Public Service Boards.
8. At local level, each health body has recognised and discussed Brexit within its Executive Team and Board meetings. Some bodies are liaising with their counterparts to continue research and development links. The level of resource inputted varies, with some health bodies setting up Brexit specific task and finish groups. One body [Public Health Wales] will be in receipt of EU transition funding, and therefore have a Brexit specific post. Health bodies rely on their internal governance processes to monitor and scrutinise their arrangements.
9. NHS bodies have identified a range of risks and some opportunities. Some of these are described in the main report, notably medical supplies, food supplies, workforce and wider well-being. Other key issues include:
  - i. research and development: Clinical research, including clinical trials, and innovation are key components of health and social care activity across the UK and healthcare organisations have a long tradition of EU collaborative research.
  - ii. reciprocal healthcare: at present all EU nationals have the right to access healthcare treatment in any of the 28 EU countries. Once the UK leaves the European Union, these reciprocal rights will come to an end, unless both the UK and the EU agree to continue or replace them.

10. NHS bodies are working with some key stakeholders, including other public bodies and those involved in their supply chains. There has been limited engagement with the wider public. Public Health Wales has put information about Brexit on its website. The Welsh NHS Confederation website has a set of Frequently Asked Questions and provides links to the technical notices. But at the time of submitting their evidence, NHS bodies had not pro-actively engaged with the public. At the time of drafting, the Welsh Government was developing a communications plan for sharing messages across the NHS and social care both in respect of messages for professionals and the wider public.
11. NHS bodies report that they face practical challenges in preparing for Brexit. Many reported that ongoing political uncertainty about the final form of Brexit was a challenge, as there are different implications in the different possible scenarios. Many NHS bodies are also concerned that preparing for Brexit is putting pressure on already limited resources, given that most of the staff are undertaking Brexit work on top of the day job.

### Welsh Government Sponsored Bodies and associated organisations

12. The range of bodies within this group are diverse and the extent to which Brexit is likely to impact them varies significantly. The extent to which bodies have started to respond to, and prepare for, Brexit is largely dependent upon these expectations.
13. Most bodies are looking to Welsh Government for leadership, although many are collaborating with each other and looking wider for guidance and support; for example, there is evidence of collaboration with sister organisations across the UK.
14. All bodies have done some work to identify the implications of Brexit, both on their own functions, and for the wider sectors they operate in. Some have gone further and begun to take mitigating actions against significant risks, including through use of the Welsh Government's EU Transition Fund.
15. Some implications specific to individual bodies have been identified, and many expressed common concerns about the availability of future funding and the wider economic impact Brexit might have. Problems envisaged include the uncertainty about what Brexit will look like, which is making preparing difficult. Capacity constraints which might hinder the ability to respond quickly to challenges following Brexit is also a concern for many.

## Fire and Rescue Services

16. Authorities have carried out an analysis of the key risks of a no-deal Brexit in conjunction with the National Fire Chiefs Council. This has highlighted some common risks around the supply of specialist equipment from the EU and increased pressures that might result from delays at ports or the need to assist police, among others.
17. Each of the Services will be affected differently, but all have contingency plans in place and are working as part of the Local Resilience Forums to prepare appropriately.

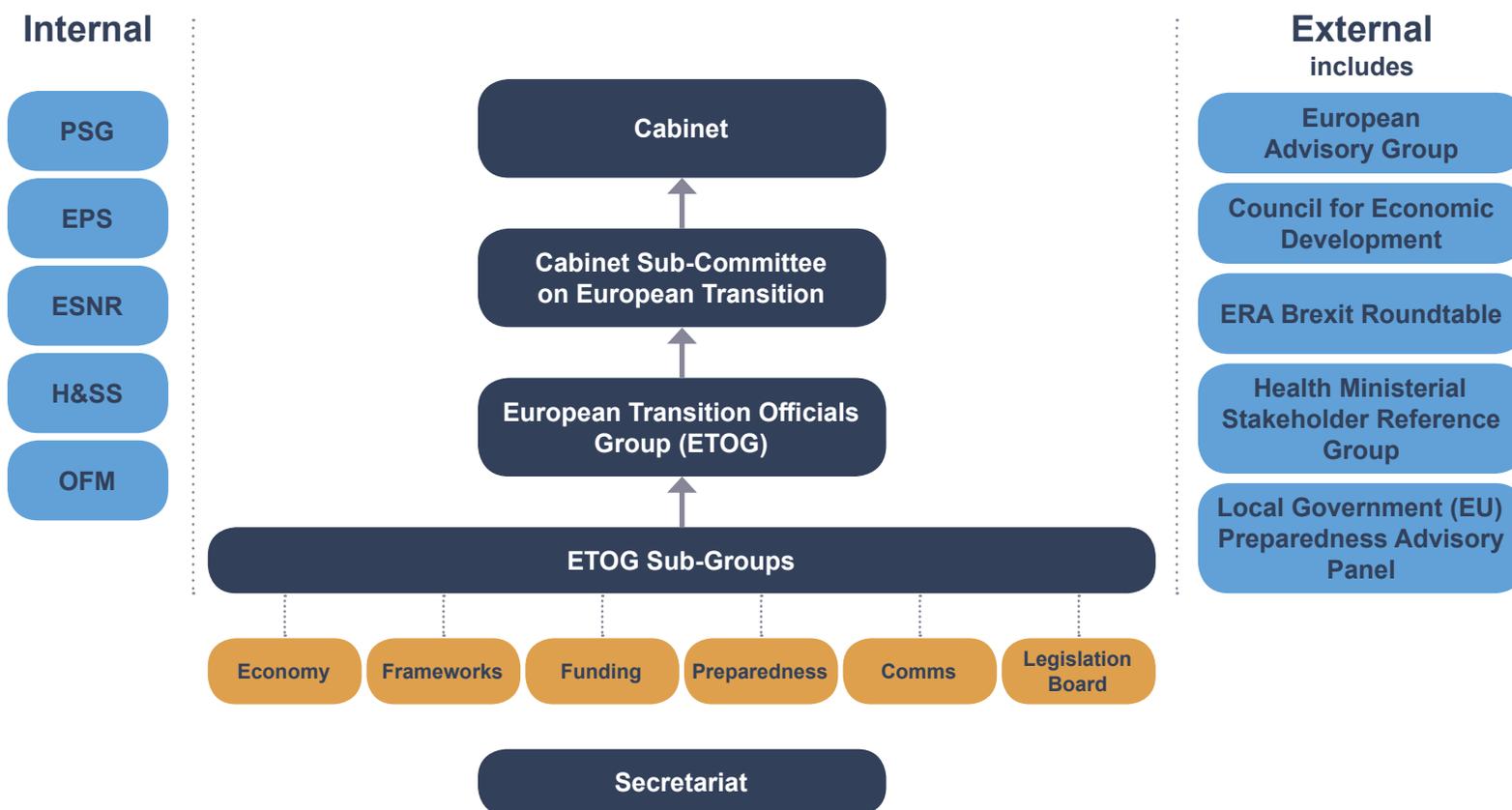
## National Park Authorities

18. Authorities are engaging with Welsh Government Brexit groups and working with each other to identify the implications of Brexit. All authorities see the loss of EU regulation around agriculture and the environment as likely to have an impact, although there is recognition of the opportunity for the Welsh Government to design bespoke replacement policies and programmes to provide most benefit to Wales.
19. Authorities are concerned about the impact that a reduction in tourism and changes to trade tariffs might have on their ability to raise income after Brexit. They also see the uncertainty and lack of financial resilience as problematic in determining the best action to take to fully prepare for Brexit, and then in responding to the challenges as they become known.

# Appendix 2 – Pan public-sector and Welsh Government arrangements

## Pan public-sector and Welsh Government arrangements<sup>10</sup>

### European Transition Governance Structure



<sup>10</sup> In addition to the structures outlined, the Executive Committee of the Welsh Government meets regularly to focus on EU exit preparedness issues, and EU exit is also a standing item at the Welsh Government Board meetings.

**Cabinet Sub-Committee on EU Transition (CSC-EU)** – provides strategic direction for Welsh Government’s work aimed at securing the best possible outcome for the people of Wales on issues arising from Brexit.

**European Transition Officials Group (ETOG)** – established to develop and implement a coordinated response to Brexit by bringing together policy leads from across Welsh Government departments.

**European Transition Team (ETT)** – responsible for leading on the co-ordination of the Welsh Government’s Brexit position to ensure consistency of approach.

### ETOG Sub-Groups;

**Economy** – going forward the sub-group will focus on coordinating Welsh Government involvement in negotiations on the Future Economic Partnership.

**Frameworks** – sub-group oversees the process of agreeing UK-wide frameworks by engaging with Welsh Government policy leads to ensure a cohesive approach to the development of new frameworks.

**Funding** – sub-group works to coordinate and advise the CSC-EU through the Cabinet Secretary for Finance on the allocation of funding from the EU Transition Fund.

**Preparedness** – sub-group works to ensure Welsh Government departments are as prepared as possible for the practical implications of Brexit.

**Comms** – sub-group considers Welsh Government Brexit communications and headline messages.

**Legislation Board** – sub-group supports and advises Welsh Government departments on their delivery plans for legislative changes as a result of Brexit.

## External groups engaging with Welsh Government:

**European Advisory Group** – advises the Welsh Government on challenges and opportunities for Wales arising from Brexit.

**Council for Economic Development** – brings together representatives from businesses, social enterprises and trade unions to provide advice to inform Welsh Government on policies affecting the economy. The Council has a sub-group – the EU Exit Working Group – which includes a wide range of stakeholder from the business, voluntary and public sectors.

**Environment and Rural Affairs (ERA) Brexit Roundtable** – comprising of stakeholders from across the sector, the group aims to influence policy and programmes relating to Brexit via discussions with Welsh Government, DEFRA and other UK government departments.

**Health Ministerial Stakeholder Reference Group** – involves key health and social care stakeholders through the main representative bodies: Welsh NHS Confederation, WLGA, Association of Directors of Social Services Cymru and Social Care Wales alongside specific groups and organisations such as Public Health Wales, the Royal College of Nurses, the Association of the British Pharmaceutical Industry (ABPI) Cymru Wales, and NHS Chairs and Chief Executives.

**Local Government (EU) Preparedness Advisory Panel** – recently established to coordinate Brexit preparedness work within local government, encourage the sharing of resources and oversee the implementation of the WLGA led Brexit Transition Support Programme.

## Internal operational groups within Welsh Government:

**PSG** – Permanent Secretary's Group

**EPS** – Education and Public Services

**ESNR** – Economy, Skills and Natural Resources

**H&SS** – Health and Social Services

**OFM** – Office of the First Minister

## Appendix 3 – Audit Methods

### Self-assessment and call for evidence

We requested that all the main devolved public sector bodies complete a self-assessment and call for evidence. The self-assessment and call for evidence contained questions relating to Brexit preparedness. Questions included the bodies' arrangements for the identification and management of Brexit, focusing on implications, challenges, monitoring, collaboration and communication. We also requested that the bodies provide any relevant documents to support their responses.

The number of bodies that we issued with a call for evidence and self-assessment, and the number returned completed is set out below. We also received comments from the Welsh Language Commissioner, Future Generations Commissioner, Public Services Ombudsman, Children's Commissioner, and Older People's Commissioner.

Sector	Number of bodies issues with the call for evidence and self-assessment	Number of responses	Percentage response rate
Local Authorities	22	22	100%
Fire and Rescue Authorities	3	3	100%
National Park Authorities	3	3	100%
Health	11	11	100%
Welsh Government Sponsored Bodies (WGSBs) and wholly owned companies	13	13	100%

## Document reviews

We reviewed a range of documents including:

- Information provided to us to support the call for evidence and self-assessments
- Local and national risk assessments and briefing papers
- Welsh Government guidance and policy documents on Brexit
- Welsh Local Government Association and Welsh NHS Confederation guidance
- UK Government guidance, including the various 'no deal' advice notices
- EU documents and guidance on Brexit planning
- Evidence submitted to Assembly Committee enquiries and Assembly Committee reports

## Interviews

We carried out interviews with the central Welsh Government Brexit team, Welsh Government policy leads, National Assembly for Wales officials, the Welsh Local Government Association, and the Welsh NHS Confederation.

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