

21 April 2022**Agenda Item: 11****REPORT OF SERVICE DIRECTOR, FINANCE, INFRASTRUCTURE, AND
IMPROVEMENT****RUSSIAN INVASION OF UKRAINE: IMPLICATIONS FOR
NOTTINGHAMSHIRE COUNTY COUNCIL****Purpose of the Report**

1. To set out an initial assessment of the short-term implications for the Council of the Russian invasion of Ukraine, and to invite Members' feedback on the adequacy of the mitigations in place to address the risks.

Information

2. The war in Ukraine is resulting in tragic loss of life and human suffering, as well as causing massive damage to Ukraine's physical infrastructure. It has sent a wave of nearly three million (and climbing) refugees to neighbouring countries. Unprecedented sanctions have been announced on Russia.
3. We will all be aware of these developments in Ukraine and the ongoing imposition of further financial and trade sanctions on Russian and Belarusian Government officials and other named individuals and entities. These are being imposed by countries around the world, including the UK, US and the EU. These recent measures are directly relevant to local government, as well as to business and individuals.
4. While the situation remains highly fluid and the outlook is subject to extraordinary uncertainty, the economic consequences are already very serious. Energy and commodity prices—including wheat and other grains—have surged, adding to inflationary pressures from supply chain disruptions and the rebound from the Covid-19 pandemic. Price shocks will have an impact worldwide, especially on poor households for whom food and fuel are a higher proportion of expenses. Should the conflict escalate, the economic damage would be all the more devastating. The sanctions on Russia will also have a substantial impact on the global economy and financial markets, with significant spill-overs to other countries.
5. In many countries, the crisis is creating an adverse shock to both inflation and activity, amid already elevated price pressures. All countries will need to carefully monitor the pass-through of rising international prices to domestic inflation, to calibrate appropriate responses. This crisis will create complex policy trade-offs, further complicating the policy landscape as the world economy recovers from the pandemic crisis.

Specific legislation

6. The Russia (Sanctions) (EU Exit) Regulations 2019 (S.I. 2019/855) were made under the Sanctions and Anti-Money Laundering Act 2018 (the Sanctions Act) and provide for the freezing of funds and economic resources of certain persons, entities or bodies involved in destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine, or obtaining a benefit from or supporting the Government of Russia.
7. In the UK, Financial Sanctions Notices relating to Russia are issued under the Russia (Sanctions EU Exit) Regulations 2019 (as amended).
<https://www.gov.uk/government/publications/financial-sanctions-ukraine-sovereignty-and-territorial-integrity>
8. Joint Statement on developments in Ukraine Financial Sanctions Notices in relation to Belarus are issued under the Republic of Belarus (Sanctions) (EU Exit) Regulations 2019:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1055934/Notice_Belarus_180222.pdf.

Potential impacts for the County Council

Risk:	Meeting the needs of refugees (New risk)	Rating:	Med (amber)
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9. As all will be aware from news reports, the immediate needs of refugees are being borne by the countries that border the Ukraine, with Poland, Romania, Hungary, Slovakia and Moldova dealing with huge numbers of people arriving with only what they can carry. The UK is providing significant financial support to these immediate pressures through the campaign of the Disasters Emergency Committee, and the match-funding from the UK Government, raising funds to cater for the humanitarian emergency that is unfolding.
10. The UK government continues to roll out its arrangements for this country providing refuge to as many Ukrainian people as wish to take shelter here. NCC stands committed to supporting this endeavour and to offering its services to the Ukrainian people who need to use them. Work is underway across all the councils in Nottingham and Nottinghamshire to prepare for Ukrainian people who come to our area. We are working with our district and borough councils, and with the East Midlands Councils, which leads on the Region's Strategic Migration Partnership. From the outset of the crisis, the Council's Community Services Team reached out to local community support groups with an interest in Ukraine, to offer assistance.
11. The Department for Levelling Up, Housing and Communities (DLUHC) has launched its 'Homes for Ukraine' scheme, and more than 120,000 pledges of support have been registered. The Local Government Association has stated that Councils will be central in helping families settle in communities and access services, including schools, public health and other support. The County Council has a role in the basic safeguarding checks that will be needed under the scheme, and it has established a Steering Group to implement the response. Upper tier councils will also be the accountable bodies for the Government funding to local authorities of £10,500 per refugee; further details about the arrangements and requirements are awaited.

12. Work has also been initiated to review the Council's vacant caretaker houses to assess how readily occupiable they are, should they be needed.
13. This represents the most uncertain area of risk for the Council, as there is no information available at this stage on the likely numbers of refugees who will relocate in Nottinghamshire, nor what their needs will be. The current strain on the Council's Adults' and Children's services is already severe, driven by the existing and increasing demands. Capacity to accommodate significant and additional needs is a key concern. The Council expects to draw on support from its provider partners, and through its strong links with the voluntary sector.
14. It should also be stressed, however, that Ukrainian people taking refuge in the UK will be entitled to seek work, presenting an opportunity for local organisations and businesses to benefit from their skills, knowledge and experience.
15. Senior Council officers are fully linked into briefings and developments on this issue, working alongside our local partners, enabling the impact of this risk to be kept under very close review as the picture clarifies.

Risk:	Cost increases and supply chain disruption (Existing risk – additional trigger)	Rating:	High (red)
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16. In November 2021, the Finance Committee received a report on resource shortages and contract inflation. This set out the concerns and challenges the Council is seeing, primarily from the impacts of the pandemic and the UK's exit from the EU. Principally, impacts are being felt in the following areas:
- Shortages and price increases of construction materials imported from abroad
 - Staff recruitment and retention issues in the social care market and in catering and facilities management
 - Shortages of some food lines due to resource constraints in agriculture and warehousing
 - Driver shortages and price increases in non-municipal waste services
 - Significant increases expected in direct energy costs for 2022/23
 - Anticipated impacts of rising fuel prices across many areas of the Council's services.
17. Cost increases and supply chain disruption is, therefore, a known and significant operational risk for the Council. The Russian invasion of Ukraine has become a further trigger for this risk. The additional and compounding impacts of the conflict are assessed to be in the following areas:
- Utilities – the Russian invasion is having a compounding impact on fuel, gas and electricity prices for all. Price increases have already been negotiated with our suppliers of Special Educational Needs transport providers, and there is the clear potential for contagion to many other service areas.
 - Food – around 8% of wheat supplies to the UK are sourced from Ukraine, and our key suppliers are raising concerns over the sustainability of contractual prices. Close contract management processes are being applied, supported by soft market testing, to facilitate negotiations with our core suppliers in this area.
 - Timber – Russia is a significant source of timber for construction supplies, therefore this adds to the pressures already being seen on capital programme projects

- Wood pellets – around 60 buildings in the Council’s estate have boilers fuelled by wood pellets, of which about a third are schools. It is estimated that approximately 65% of the supply of wood pellets to the UK has been sourced from Russia. The Council’s Danish supplier has seen impacts up the supply chain and has switched to Finnish and Estonian sources. As a result, a temporary increase of approximately 23% in the price per tonne of pellets has been negotiated. Total expenditure per year on wood pellets is around £50,000, therefore the overall financial impact of this issue is low.
- Nickel – Russia is a sizeable supplier of nickel, an essential component in batteries for electric vehicles, therefore some disruption to market supply and pricing might be anticipated. Replacement batteries are generally scheduled on a 7-to-10-year lifecycle. The Council currently has 6 electric-powered buses in its fleet, four of which have very recently been procured; the remaining two are 3-to-4 years old. The Council aims to convert to a fully electric fleet by 2030. Given the current electric fleet is small and young, this is a very low risk for the Council.

The report to Finance Committee in November 2021 sets out the Council’s tight budgetary control mechanism to keep all these risk areas under close monitoring. This remains the most appropriate response, ensuring that problem areas are identified early, and consideration is given to further and more detailed mitigations on a case-by-case basis. The corporate and collective impact of these pressures is being factored into the rolling Medium-Term Financial Strategy.

Risk:	Cyber security (Existing risk – increased likelihood)	Rating:	Med (amber)
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18. The escalation of tensions between Russia and the West has resulted in an increased threat to the cyber security of organisations both large and small, and across all sectors. The increased threat of state-sponsored hacking and ransomware attacks on Health and Public Sector organisations in the UK arising out of the escalating tensions in the region are well publicised. Recent warnings released by the National Cyber Security Centre (NCSC) have been published in the media.
19. It is important to recognise that this is only part of the picture; there are other threat actors in play. A recent joint Cybersecurity Advisory published by UK, US and Australian Cybersecurity authorities, highlighted the “growing technological sophistication and increased ransomware threat to organizations globally”. This risk is driven not only by state-sponsored threat actors but also by ‘hacktivists’ and cyber criminals.
20. While known victims and high value targets such as global organisations are popular targets, the trends seen in the UK point to mid-size health, public-sector and charitable organisations as key targets. Methods of disruption have diversified from holding data to ransom to:
 - threatening to release stolen information, particularly that of a more sensitive nature such as health, care or financial records
 - threats to inform shareholders or members of the public about attacks
 - blocking internet access to and from an organisation’s network/websites etc.
21. Along with the multi-layered technical security measures the Council has in place, it is important that individuals maintain a heightened state of vigilance when opening emails and even text messages, particularly those that are unsolicited or unexpected, even if the source is known. Most successful attacks are as a result of an individual clicking on a malicious link

in an email or text message. All NCC staff have been reminded to maintain a high state of vigilance at this time.

22. Further mitigations include:

- All the Council's Cyber Security products, both software and hardware, are provided through UK/US based companies
- The Council's email filtering can be set to block traffic from any domain considered to pose a Cyber Risk. Russian and Ukraine domains have been blocked for some time and Belarus has been added
- Access to Russian websites is blocked.
- As a further precautionary measure all traffic from Russian, Belarusian and Ukrainian domains on the Council's Firewalls are blocked, the latter due to the increased risk of malicious activity originated in Russia/Belarus but appearing to come from Ukraine.

Risk:	Direct contractual links with Russian companies (New risk)	Rating:	Low (green)
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23. At the County Council meeting in February 2022, a statement was agreed, in support of Ukrainian people, and in condemnation of the Russian invasion. This statement can be found on the Council's public website by following this link:

<https://www.nottinghamshire.gov.uk/newsroom/news/county-council-statement-on-ukraine>

24. In support of this, the Council has assessed the extent of its civic and contractual arrangements with Russia. This determined the Council has no active civic partnerships or commercial arrangements with Russia.

25. With regard to the Nottinghamshire Pension Fund, the ambition is to sell the small amount of Russian-linked assets it holds as soon as it is legally and ethically possible to do so. These assets amount to £5m (although now not registering any value), less than 0.1% of the £6.6bn pension fund; consequently, there are no immediate impacts on the fund. Investment managers have also been asked to suspend further purchases of Russian assets. This position will continue to be monitored through the Nottinghamshire Pension Fund Committee.

26. The general inflation within the UK will affect the triennial valuation. Although this should be based on the long-term view, and the current situation could be considered a short-term issue, there will be an effect upon this year's valuation. Pushing up the inflation assumption whilst at the same time depressing asset returns may have potential impacts on the employer rate, and potentially on through Government policy on the employee rate. The full implications will not be known until the last quarter of the financial year when the valuation cycle is completed.

Risk:	Staff welfare (Existing risk – additional trigger)	Rating:	Low (green)
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27. Some of the Council's employees have links to Ukraine, and/or are understandably concerned by the crisis.

28. It is recognised that this crisis comes on top of the significant turbulence we have all lived through over recent times. The Council has taken action to bolster its welfare provision for its employees, notably through the following which have again been promoted to all staff:

- Employee Counselling Service
- Mental Health First Aiders network
- Workplace Buddies scheme.

29. The Education Psychology Service has produced a guide for talking to children and young people about the war in Ukraine.

Risk:	Disruption to local civil order (Existing risk – additional trigger)	Rating:	Low (green)
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30. The Office for National Statistics has made an early release of Census 2021 data on Eastern European populations to help local and national emergency response planning in response to the Russian invasion of Ukraine. The data reports the number of residents in districts and boroughs who were born in Ukraine, Russia and other Eastern European countries. This data shows that Nottinghamshire has very small such sectors of its population (on average around 27 residents born in the Ukraine per 10,000 people, and on average around 37 residents born in Russia per 10,000 people).

31. Consequently, the potential risk of civil unrest at the local level, either sparking from within our East European communities or perhaps from a rise of anti-Russian feeling in the county's wider population, is assessed to be low.

32. Nonetheless, the Council's lead officer for the Government's Prevent strategy receives frequent counter-terrorism briefings about national threat levels, and he is also the key contact for the Police's East Midlands Special Operations Unit, which provides local information. Both of these sources of intelligence will be kept under close scrutiny, along with that received via other established links into the Council's Emergency Planning Team.

Risk:	Local trade with Eastern Europe (New risk)	Rating:	Low (green)
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33. The Council has assessed the specific risk to our local economy connected to trade with either Ukraine or Russia in Nottinghamshire is low. The biggest risk to small businesses is from the wider macro-economic factors such as raw material costs and general inflation which are caused by a number of factors.

34. A member of the Regeneration Group is to join a wider business resilience forum to look specifically at those key issues affecting businesses in Nottinghamshire and activities to further support business will be considered when appropriate.

Other Options Considered

35. None – at its meeting in March 2022, the Governance and Ethics Committee requested this report to be brought to its next meeting.

Reason/s for Recommendation/s

36. To afford Members the opportunity to raise any concerns or suggestions concerning the impacts for the Council of the Russian invasion of Ukraine and the Council's response.

Statutory and Policy Implications

37. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.
38. The risks set out in this report have implications for: crime and disorder; data protection and information governance; finance; human resources; human rights; and the safeguarding of adults and children. As detailed in the report, the implications are assessed to be of varying impact and, in many respects, are unclear at this stage. The current and continuing actions being taken by the council to keep these implications under review are detailed in the report.

RECOMMENDATION

- 1) Members note the risk assessment laid out in the report, and note the actions being taken to mitigate them.

Nigel Stevenson

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For any enquiries about this report please contact:

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Constitutional Comments (EP 07/04/2022)

39. The Governance and Ethics Committee is the appropriate body to consider and comment on the contents of this report.

Financial Comments (NS 6/4/2022)

40. When the Council set its budget last February it included a risk assessment of major assumptions in the budget including inflationary pressures, catered for in the contingency budget and the General Fund Balances. The report indicates that the financial impacts are likely to compound existing inflationary pressures which will continue to be monitored through the Council's budget monitoring arrangements.
41. As indicated in the report, as an upper tier council, Nottinghamshire will be the accountable bodies for the Government funding to local authorities of £10,500 per refugee.

HR Comments (GME 29/03/22)

42. The impacts on the Council's workforce of the current situation are highlighted in paragraphs 28 and 29. Employees can self-refer to the counselling service provided by Care First. Further information and support are highlighted on the Council's intranet well-being pages to assist anyone experiencing anxiety or supporting any members of their team directly affected by the conflict.

43. Colleagues in the Recruitment Team will offer advice and support to Ukrainian job applicants and recruiting managers to ensure vacancies are accessible and the relevant safer recruitment requirements are fully met

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All