

## Committee: Cabinet

Date: 12 November 2018

Wards: All

### **Subject: Preparing the Council for the UK's exit from the European Union**

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#### **Recommendations: That Cabinet:**

- A. Note the implications for the council and the borough of the issues highlighted in the report and the actions being taken to deal with them;
  - B. Note the establishment of a corporate task group headed by the Director of Corporate Services, that is looking at the implications of Brexit in more detail and directing actions being taken; and
  - C. Note the proposed approach for how the council can support EU residents, particularly those in hard to reach and vulnerable groups, with information and support to secure their rights around settled status.
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#### **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. The purpose of this report is to highlight the ways in which the council and the services it provides will potentially be impacted by the UK's withdrawal from the European Union. It also highlights the implications of Brexit for residents of the borough and the local community.
- 1.2. The report outlines cross cutting issues that will have an impact on the organisation as a whole, including analysis and commentary from organisations such as the Local Government Association, the Local Government Information Unit, London Councils, CIPFA and the No Recourse to Public Funds Network. It also sets out an early indication of the council's preparations.
- 1.3. There remains continued uncertainty about what 'kind of Brexit' the country will face, and until the final agreement is known it will be hard to determine its exact impact. However the council will need to be prepared for all eventualities (including a "no deal Brexit") and keep up-to-date with developments, regularly reviewing the areas of highest potential impact. This will enable it to strengthen its resilience and develop contingency plans in key areas such as workforce, regeneration, funding, legislation and community cohesion.

- 1.4. In response, the Leader of the Council has created a Cabinet role to assess the impact of Brexit and ensure that actions are being taken as appropriate. The Leader has also asked the Director of Corporate Services to establish a task group to look at the implications of Brexit in more detail and direct actions being taken.
- 1.5. At a meeting on 12 September Council welcomed the news that the Council's Risk Register is being updated with regards to Brexit, and called on Cabinet to ensure the register maintains a robust and up to date account of the risks of the UK leaving the EU with no deal, and to implement any recommended measures as soon as possible.
- 1.6. Council also expressed its support for the work being carried out through the Scrutiny process into ways for Merton to better support citizens from the EU27 as Brexit progresses, particularly looking at what support can be given as their rights change. Council agreed to support the call for a People's Vote on any final Brexit deal.
- 1.7. Updates relating to Brexit continues to be released on a regular basis, and announcements and analysis highlighted in this report is subject to frequent change and speculation. Information in this report was accurate and up-to-date as at October 2018.

## **2 BACKGROUND**

- 2.1. On 23 June 2016 Britain voted to leave the European Union (52 per cent voting to leave). London was the only region within England to vote with a majority to remain in the EU, with 59.9 per cent of the vote (2.26 million votes).
- 2.2. The government formally triggered the process of the UK's withdrawal from the European Union on 29 March 2017. The terms – which continue to be negotiated – will have a range of significant effects on local government and the communities they serve. Local authorities have a unique and important perspective to bring to the negotiations as community leaders, service providers, employers and shapers of place.

## **3 DETAILS**

- 3.1. On 12 July the Government published its white paper on the [Future Relationship between the United Kingdom and the European Union](#). The proposals in the white paper are informing the ongoing discussions between Government officials and EU negotiators about the terms of the UK's withdrawal. The withdrawal agreement and the framework for the future relationship will need to be finalised in the autumn to allow time for ratification before the UK leaves the EU on 29 March 2019.
- 3.2. The key points outlined in the white paper would mean:
  - That the UK leaves the single market and the customs union; instead there would be a new free trade area for goods and “new arrangements” for services
  - Free movement of people would be ended, replaced by a framework for mobility that would allow UK and EU citizens to travel across each

other's borders without a visa for tourism, temporary business and study

- The creation of new partnerships between the UK and the EU on security and cross cutting issues such as science, research and innovation, culture and education and data and information sharing
- The establishment of institutional mechanisms to govern the new arrangements and resolve disputes

- 3.3. [In the LGiU's view](#), the white paper provides greater clarity on the government's thinking on some key issues for Local Government. These include the proposals on labour mobility which acknowledges the importance of EU citizens being able to come to the UK to work. However it is noted that the white paper appears to focus on those with professional qualifications, rather than lower skilled workers. Further detail is awaited on the Government's future policies on immigration from EU member states.
- 3.4. Decisions are ongoing about the terms of the 'deal' that the UK will negotiate to exit the EU. There is the potential for the UK to become a '3rd Country', the relationship that currently exists for Norway and Switzerland. In this scenario border checks and customs arrangements would be subject to enhanced controls and processes while freedom of movement would be ended. It is unclear what this would mean for the framework for mobility proposed by the Government's white paper. However, it should be noted that other's '3rd country status' was achieved as a result of negotiating an agreement, and so a 'no deal' Brexit could result in the UK also failing to achieve this status.
- 3.5. The Government continues to state its intention to negotiate a deal, however, the current impasse to date in negotiations between the EU and UK means that 'no deal' preparations are important and likely to be twin-tracked with negotiations, possibly right up to March 2019. The LGA has produced a ['No Deal' briefing](#) that identifies the key issues for councils and highlight where clarity needs to be provided by Government.
- 3.6. Over the summer the Government have published a series of technical notices to set out what citizens, businesses and organisations would need to do in a 'no deal' scenario. Three sets of papers have been published to date with at least one more set expected in October. The LGA have analysed them against their headline concerns for local government, with the notices so far dealing with some, but not all, issues. For example, there is advice on future procurement processes, but technical advice on the residency/employment status of non-UK EU workers under a 'no deal' departure has yet to be published.
- 3.7. In an [appendix](#) to their report, the LGA have provided a summary of the issues contained in the 76 Technical Papers published to date, highlighting where there are direct implications for local authority services. The LGA have stated their goal that this can act as an initial checklist for leaders and chief executives of those issues where local government has received advice for 'no deal' planning and local preparations will be expected.

- 3.8. With the possibility of a 'no deal' withdrawal, non-UK EU citizens will be seeking reassurance about their future in the UK. The anticipated reciprocated 'settled status' for non UK EU citizens may only be possible under a deal with the EU. The LGA is seeking assurance on employment/residency/access to services and voting/standing rights in a 'no deal' scenario, which it is hoped will be addressed in a future technical guidance note.
- 3.9. Councils' business continuity and emergency planning duties relating to the impact of 'no deal' will need to be considered. There is the need to reassure communities that plans are in place for any immediate community cohesion work. In the short-to medium term, there could be scenarios under 'no deal', such as the possible return of large numbers of largely elderly UK citizens from other parts of the EU, the key skills the local workforce will need, and the additional capacity that will be needed if more regulatory checks are required to keep on importing from or exporting to the EU.
- 3.10. The Cabinet Office's Civil Contingencies Secretariat and CLG's Resilience and Emergencies Division have begun discussions with Local Resilience Forums to ensure preparedness for key issues; councils will be contributing to this alongside their own scenario planning that they should be doing. The council has provided information to London Councils who are preparing a high level London local authority overview of the implications of exiting the EU.

## EU Funding

- 3.11. Since the result of the referendum, one of the biggest concerns from councils has been addressing the potential funding gap from no longer having access to EU funding, estimated by the LGA to be up to €10.5 billion (£8.4 billion) UK-wide, unless a viable domestic successor to EU regional aid is put in place. While Merton is not currently in receipt of any EU funding that will need to be replaced, it will no longer have access to put funds for projects such as the regeneration of Morden Town Centre where there may previously have been the opportunity.
- 3.12. In its 2017 General Election manifesto, the Government pledged to create a UK Shared Prosperity Fund that would replace the money that local areas are currently in receipt of from the EU. Despite the uncertainty over the replacement of EU funding, the LGA has argued that there is the opportunity to give local areas a greater say over how to target regional aid funding for local projects of benefit for local people that can support infrastructure, environment, enterprise and social cohesion.
- 3.13. The LGA have produced a briefing: ['Beyond Brexit: future of funding currently sourced from the EU'](#) which provides analysis of a number of options aiming to inform the design and delivery of the UK Shared Prosperity Fund.
- 3.14. ***What the council is doing:*** a review has been carried out that confirms that the council is not currently in receipt of any EU funding. The task group will continue to review developments around a UK Shared Prosperity Fund to

*ensure that the council is aware of funding that may become available in the future.*

### **Citizenship and migration**

- 3.15. EU Settled Status is the new indefinite leave to remain status which will protect the rights of non-UK EU citizens when the UK leaves the EU in March 2019. In June 2018 the Home Office launched a [Statement of Intent around EU Settled Status](#) with further details on the Scheme. It outlines who will be able to apply, what requirements applicants must meet, how to submit an application and how the process of obtaining status will work practically. The statement clarified some issues for councils, like the waiving of the £32.50 fee for children in care, which has now been agreed.
- 3.16. Under the scheme EU citizens living in the UK can apply for 'settled status' if they want to continue living in the country after June 2021. The scheme will open fully by March 2019. Under the settlement scheme it will be mandatory for EU citizens to have 'settled' or 'pre-settled' status from 1 July 2021. Applications for settled status can be made once the individual has lived in the UK for five years (unless they were not resident in the UK by 31 December 2020). The deadline for applying will be 30 June 2021. Applications may be made after this date if looking to join a family member already in the UK. The Government has indicated that a person who fails to apply by the end of June 2021 may have no lawful basis to remain in the UK, but it is currently unclear what the consequences of this will be.
- 3.17. Councils directly or indirectly employ a high proportion of non-UK EU citizens but as the LGA have highlighted, there is also the need for local authorities to consider the scheme as 'leaders of place', for example in their role as corporate parents for children in care, but also in supporting hard to reach and vulnerable groups that will require information and support around changes to their status. Local authorities can play a key role in reducing the possible negative impacts on communities that may arise when people are applying for, or in some cases may fail to secure their status.
- 3.18. The LGA have highlighted that councils should also begin exploring how many children in their care will have to go through the planned EU Settlement Scheme. The No Recourse to Public Funds Network has provided a [guide](#) for councils providing more information on the roles and responsibilities of councils in the scheme with a focus on EU children in care and young people leaving care, EU nationals receiving social services' support and groups at risk of not securing their status.
- 3.19. [London Councils research from August 2017](#) puts the overall number of EU nationals living in London at 1 million - 12 per cent of the total population. European Economic Area (EEA) employees represent one in eight of all employees in London. The research shows that London is particularly reliant on migrant care workers, with nearly three in five of its social care workforce (59 per cent) born abroad. 10.6 per cent of London's social care workforce were born in the EEA and are without British citizenship.

- 3.20. According to the Census data from the Office of National Statistics, as at 2011 there were 18,690 EU nationals in the borough. This is 9.3% of the borough's population. Of this total number, 7,649 are from EU member states as of 2001, while 11,041 are from the EU Accession countries that became member states between April 2001 and March 2011. Since the last Census, Information from the council's electoral roll shows that the total number of EU residents in the borough has increased to 20,146.
- 3.21. London Councils estimates that 64 per cent of EEA+ Nationals in the UK arrived at least five years previously and are therefore potentially eligible for "settled status" on this basis. A further 8 per cent were born in the UK but do not report having British citizenship.
- 3.22. At the time of the London Councils report, data sources were indicating that migrants' intentions to move to or remain in the UK are changing as a result of the economic and social consequences of Brexit. ONS data from August 2018 shows the number of EU citizens moving to the UK has continued to decrease over the last year. EU net migration was 87,000 in the year to the end of March 2018, returning to a level last seen in 2012. Some 226,000 EU citizens came to the UK and 138,000 EU citizens left. Separate data from the Labour Force Survey for April to June 2018, shows there were 86,000 fewer EU nationals working in the UK than a year earlier - the largest annual fall since comparable records began in 1997.
- 3.23. In September 2018, the Migration Advisory Committee published its final report [on the impact of EEA migration in the UK](#). In the Committee's view, while EEA migration has had impacts, many of them seem to be small in magnitude when set against other changes – e.g. the fall in the value of the Pound after the referendum vote to leave the EU probably raised prices by 1.7 per cent - a larger impact than the effect on wages and employment opportunities of residents from EEA migration since 2004, although over a different time period. Therefore according to the report: "small overall impacts mean that EEA migration as a whole has had neither the large negative effects claimed by some nor the clear benefits claimed by others."
- 3.24. The report recommends that if the UK is in a position where it is deciding the main features of its immigration policy, then there should be a less restrictive regime for higher-skilled workers than for lower-skilled workers in a system where there is no preference for EEA over non-EEA workers. The report argues that higher-skilled workers tend to have higher earnings so make a more positive contribution to the public finances.
- 3.25. In the Committee's view any routes into attract low-skilled workers should not be based around sectors. The report states 'serious concern' about social care, but that this sector needs a policy wider than just migration policy to fix its problems and that this is an illustration of a more general point: "that the impacts of migration often depend on other government policies and should not be seen in isolation from the wider context." The report is also clear to not recommend that the public sector should receive special treatment in the migration system.



- 3.26. In return, just over 4.5 million Britons live abroad, with approximately 1.3 million of them in Europe, according to figures compiled by the United Nations. British in Europe, a group which campaigns for the rights of British citizens who live elsewhere in the EU, said the draft terms of the Brexit transition deal only guarantee the right for Britons on the continent the right to live, work, and receive healthcare and pensions in their current country of residence. That means freedom of movement, the EU policy which gives citizens the rights to work and study anywhere in the continent without applying for a visa was not contained in the provisional transition deal.
- 3.27. In December 2017 the government [reached an agreement with the European Commission on citizens' rights](#). This aimed to provide a level of certainty to UK nationals in the EU and their families and allows UK nationals in the EU to continue living their lives 'broadly as they do now.' Following the agreement on the Implementation Period, all UK nationals lawfully residing in another EU Member State on 31 December 2020 will be covered by the citizens' rights agreement, meaning they will continue to have the same access as they currently do to healthcare, pensions and other benefits and will be able to leave their Member State of residence for up to 5 years without losing their right to return. The UK and EU Commission have also agreed that EU27 Member States may require UK nationals and their family members covered by the agreement to apply for a residency document or status conferring the right of residence.
- 3.28. As with other parts of Brexit, there is a continued lack of clarity on the exact position of UK citizens currently living and working in the EU. The fall in the value of the pound means that the cost of living abroad has increased, and with the potential for a diminishment in the level of rights that UK citizens have access to then there is the possibility that some may choose to return to the UK. Large numbers of UK citizens returning home could put pressure on the availability of housing. In addition, with a proportion of those living abroad being older, that moved following retirement, there could be the added impact from those returning on healthcare and older people's services.
- 3.29. ***What the council is doing:*** *a recommendation has been put forward to Cabinet to agree that the council, as a leader of place, should be supporting EU residents, particularly those in hard to reach and vulnerable groups, with information and support around changes to their status and how to secure their rights under the settlement scheme. It is proposed that the council should develop a communications campaign and publish information online, brief staff working in the customer contact centre, send out information through channels such as MVSC bulletins and work with advice agencies and providers such as Citizens Advice.*
- 3.30. *At a meeting on 12 September Council expressed its support for the work being carried out through the Scrutiny process into ways for Merton to better support citizens from the EU27 as Brexit progresses, particularly looking at what support can be given as their rights change and the related uncertainty created by that process. All councillors were encouraged to engage with that review.*

## Communities

- 3.31. According to a report put together by London Councils on the [implication of exiting the EU](#), over one third of Londoners were born abroad with migrants being a key part of local communities and the economy. As outlined in the report, councils have an important role to play in promoting integration and community cohesion, especially at a time of significant upheaval and uncertainty.
- 3.32. Many areas saw a rise in reported hate crime immediately following the referendum result and evidence gathered by London Councils from boroughs shows different European communities expressing concern about their future. As the report emphasises, ‘a rise in reported hate crime alone is an imperfect measure of community cohesion and might indicate a positive increase in the rate at which such crimes are reported’ however it is clear that councils have a key role to play in building and protecting social integration in their local area as emphasised by the Casey Review into integration.
- 3.33. Merton launched its [Hate Crime Strategy](#) shortly after the EU vote. The strategy references that 74% of Londoners say they are concerned about hate crime and that recorded figures saw an increase after the referendum result, with more than 3000 allegations of hate crime made to UK police in the week before and after the vote on June 23rd. This led the head of the National Police Chiefs’ Council to make the following statement: “The referendum debate has led to an increase in reporting of hate crime. It is very clear in the last couple of weeks that more people have been aware of experiencing such incidents than we have had before”. It should be noted however that the level of reported instances of hate crime has reduced since this point.
- 3.34. ***What the council is doing:*** *the council, through Safer Merton will continue to monitor developments within the community and any increases in hate crime linked to Brexit should they arise. An objective is in place in the Hate Crime Strategy Action Plan to reassure the public before, during, and after the process of the UK exiting the EU. Through the communications campaign set out above, to counter any false rumours, ‘myth busting’, and offer reassurance to Merton’s communities about the council’s support of a diverse and tolerant borough and zero tolerance approach to hate crime.*

## Workforce

- 3.35. Brexit could have wide ranging implications for the future public sector workforce. It is estimated five per cent of the local government workforce and seven per cent of the social care workforce is from the EU-27 countries. While this is a lower proportion than some sectors, recruitment difficulties resulting from a fall in EU migration are likely to impact on local government via the social care and construction sectors, with the LGiU arguing that workforce issues are inextricably linked to the financial challenges facing local government. The impact that Brexit could have on the wider national workforce that will be vulnerable to reductions in the supply of labour from the EEA, could also have other indirect implications for council services.



- 3.36. CIPFA's Brexit Advisory Commission for Public Services has published a report which examines options for how the [Brexit agreement could protect the needs of UK public services](#). It advocates that the UK should be looking for a bespoke agreement which allows free movement between the UK and the EU of skilled public sector workers such as doctors, nurses, academics and technicians, alongside a quota system for lower skilled positions in key sectors where there are labour shortages. The report highlights that the public sector will continue to require high skilled and lower skilled staff from the EU, as will other sectors that are important for public services such as construction, IT, engineering and transport.
- 3.37. The commission proposes that central government and the public sector should do more joint planning and risk assessment on Brexit. Specifically, the issues arising from Brexit should be considered alongside other public sector challenges, rather than being considered in isolation. It also recommended that the Government consider the idea of regional variations in migration policy, so that areas most dependent on EU staff can continue to recruit them, however the Migration Advisory Committee's report on the impact of EEA migration argues the opposite; there should be no regional variation and no special dispensation for the public sector.
- 3.38. During the 2016-17 parliamentary session the health select committee held an inquiry into the impact of Brexit on health and social care. It published a [report](#) on its findings in April, with one of the key impacts likely to be on the social care workforce of the future. An [LGiU briefing on the key findings from the select committee](#) enquiry highlights that the UK will continue to need lower skilled workers from overseas, at least in the short-medium term. 'If health and social care providers find it difficult to fill shortages with workers from the EU-27 countries, gaps may open up which could put upward pressure on pay and terms and conditions, raising costs. This could put further stress on local authority budgets.'
- 3.39. It is estimated that EU-27 workers make up around seven per cent of the adult social care workforce in England, with a further nine per cent from outside the EU. The significant proportion of overseas workforce in social care is driven by low wages and challenging working conditions, which in turn are exacerbated by the squeeze on local authority budgets. This has historically been seen as a reason for carework being a less attractive proposition for British workers.
- 3.40. ***What the council is doing:*** *HR are looking to review the current workforce and understand the service areas where there might be the most significant implications of a high proportion of EU nationals. In particular this will look at the care sector and the workforce of the council's contractors. As part of this work HR will be looking at the options for supporting staff that may be required to apply for Settled Status.*

### **Laws, legislation and devolution**

- 3.41. The proposals in the Government's white paper on the Future Relationship between the UK and the EU for a non-regression on environmental standards suggest that there should be little change to environmental law

which governs some local authority functions. The white paper also stated the Government's intention to adhere to a common rulebook on procurement and state aid.

- 3.42. As part of the Brexit negotiations local government leaders are pushing the case for further devolution and public service reform, to ensure that it does not mean a transfer of powers from the EU back to central government.
- 3.43. EU law and regulation underpins many council services (such as waste and environmental standards). The Withdrawal Act 2018 provided for all EU law to be brought into UK law to ensure that there was legal certainty for businesses and residents. The Withdrawal Act is now law and this legal certainty remains in place under 'No Deal'. However, many UK laws refer to EU regulations or to EU agencies. The Withdrawal Act gives ministers the ability to amend such laws where EU institutions or processes are mentioned. The Government has said that it is working to assure people of continuity (at least in short-medium term) that it will name UK successor agencies to EU regulators.
- 3.44. As EU law is incorporated into the domestic statute, local government has a central role to play in deciding which should be kept, amended or scrapped. For example, there are many EU-origin laws which commentators highlight could be improved through amendment; including public procurement, state aid rules and new approaches to waste, recycling and landfill. Equally there are a number of areas where it is helpful for EU-origin laws to remain, including air quality, transport, consumer rights laws and the provision of service regulations.
- 3.45. ***What the council is doing:*** *the task group, which will have a representative from Legal Services, will regularly be reviewing policy developments relating to Brexit and the implications this could have. DMTs will be reviewing legislation and technical guidance updates as it relates to the specific service areas within their departments and reporting this information to the task group.*

### **Regeneration, house building, skills and the high street**

- 3.46. Councils with house building plans and development programmes will need to ensure that their plans are sustainable given the potential impact on infrastructure funds and the loss of housing loans from the European Investment Bank. Rising build costs will affect the financial viability of schemes and could result in stalled development. A loss of labour from the EU national could also impact on the construction sector and skills shortages.
- 3.47. The construction industry is significantly dependent on EU migrant workers, both for skilled and non-skilled roles. A shortage of workers could therefore lead to higher project costs or as a consequence building schemes having to either be reduced in scale or scrapped altogether. This could have a significant impact for the council's regeneration schemes such as that for Morden Town Centre and on the Council's Housing Company and the program of construction outlined in its establishment.

- 3.48. In a post-Brexit environment, where demand outstrips supply, it could lead to UK workers demanding higher wages to work the jobs where shortages have emerged. This could have a significant impact on the ability of the government to achieve their objective to build one million new homes, as well as locally the Mayor of London's ambitious housing targets.
- 3.49. Alongside the workforce issues, research suggests that approximately two-thirds of construction materials for house building and other schemes are imported directly from the EU. This could have two issues; a weaker pound will lead to rising costs for imported materials, while at the same time the UK risks losing its tariff-free access to the single market, as well as facing the imposition of duties and limits on quantities, exacerbated in a 'No Deal' withdrawal.
- 3.50. It is widely accepted that the UK has a significant skills gap. If bridging the gap in the skills that public services need can no longer be met through migration (EU or non-EU) then there will have to be a drive to improving the skills of UK workers. In the LGA's view, the workforce challenges of Brexit needs to be a catalyst for a fundamental rethink of skills development in the UK. In CIPFA's view migration policy should be integrated with greater local control over skills and aligned with the UK Shared Prosperity Fund (the proposed successor to European Structural and Investment Funds).
- 3.51. A London Councils briefing on the [impact Brexit could have on London's skills challenge](#) notes that London's economic success has been driven by being a leader in financial, professional and technical services, creating a strong demand for highly skilled, highly productive labour. A skilled workforce is vital if London's economy is to continue to grow. In the briefing it is argued that to meet the challenges in London of high levels of youth unemployment, a rapidly growing population and a number of key sectors that are heavily reliant on migrant labour, London needs an efficient skills system that is responsive to business need and supports learner progression.
- 3.52. Since Brexit the fall in the pound has contributed to inflation rising to over 3% - significantly above the Bank of England's 2% target. This has made imported goods more expensive, with costs in many instances passed on to consumers. This come at the same time as wages rising at a slower pace than inflation meaning shoppers have less disposable income to spend in stores and restaurants. There are a number of wider reasons behind the continued decline in many high streets, such as the rise of online shopping, but Brexit is predicted to increase the pressures on many businesses and retailers and could lead to a further downturn. This will have a direct impact on the council in terms of the level of business rates it collects, but also more widely, there is the negative impact for the community if high streets and town centres in the borough are struggling.
- 3.53. ***What the council is doing:*** we are assessing the impact on planned and future regeneration activities, particularly the Estates Regeneration Plan. We continue to regularly liaise with business organisations via the Chamber of Commerce. We will also monitor any changes to business rate income.

## **4 ALTERNATIVE OPTIONS**

- 4.1. The council could choose not to do any preparatory work or analysis on the potential impacts of Brexit, choosing to wait until there is more clarity or certainty from the government on the terms of the 'deal' to exit or future relationship between the UK and the EU. However this will leave the council ill prepared to deal with any changes to the way it delivers its services that will come about as a result of exiting the EU and a likely growing uncertainty amongst members of the community and the workforce that are EU residents.

## **5 CONSULTATION UNDERTAKEN OR PROPOSED**

- 5.1. A business continuity planning session on the impacts of Brexit, led by the Director of Environment and Regeneration was held at the Collective DMT session on 25 September 2018.
- 5.2. The report was presented to Corporate Services DMT on 26 September 2018 for comments and feedback.
- 5.3. The report was agreed by CMT on 2 October 2018.

## **6 TIMETABLE**

- 6.1. December 13 -14 2018: the last European Council of 2018 seen as the last practical date for withdrawal agreement to be signed.
- 6.2. January-February 2019 (at the latest): Commons approval. The House of Commons must approve the agreed deal and Parliament must pass an Implementation and Withdrawal Bill that sets out the terms of Brexit in fuller detail.
- 6.3. The Settled Status scheme will open fully by March 2019.
- 6.4. The UK will leave the EU on the 29 March 2019.
- 6.5. After March 30th, 2019: Trade talks can begin between the UK and the EU. While Britain remained a member state, such talks were not permitted under EU law. Under the deal reached in principle in 2018, this is when the 21-month transition period begins. During this time most aspects of UK membership of the EU will remain in place, including free movement across borders and membership of the customs union and single market. But Britain will no longer have a vote.
- 6.6. The closing deadline for applications to be submitted for settled status will be 30 June 2021.

## **7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 7.1. There continues to be uncertainty about what 'kind of Brexit' the country will face, and until the final agreement is known it will be hard to determine its exact impact. However the council will need to be prepared for all eventualities, including a 'no deal Brexit', all of which are likely to have a significant financial impact on the economy, and subsequently the level of funding for public services.

- 7.2. Brexit could have wide ranging implications for the future public sector workforce. Recruitment difficulties resulting from a fall in EU migration are likely to impact on local government via the social care and construction sectors. The costs of employing workers in these sectors is likely to increase as a way of attracting workers to fill the resulting vacancies. To cover workforce shortages there may be a greater need to use agency staff with the attached costs that this will bring. Agencies themselves may also suffer from shortages in the availability of staff on their books as a result of a fall in EU migration.
- 7.3. It is predicted by some economic models that Brexit could see a fall in the value of the pound which will have an impact on the costs and availability of goods and services, particularly those manufactured by, or provided by countries from within the EU. The introduction of trade tariffs could also result in an increase in costs for the council.
- 7.4. There is a potential funding gap for councils from no longer having access to EU funding, estimated by the LGA to be up to €10.5 billion (£8.4 billion) UK-wide if not replaced. In its 2017 General Election manifesto, the Government pledged to create a UK Shared Prosperity Fund that would replace the money that local areas are currently in receipt of from the EU, however further information and confirmation of this has yet to be provided.
- 7.5. Benefit entitlement for EU nationals and their family members is currently linked to a person's activities in the UK, for example, employment or having a right of permanent residence. It is still unclear what the consequence will be for those that don't meet settled status so there may become a larger number of EU nationals who have no recourse to public funds (NRPF). According to the No Recourse to Public Funds Network local authorities currently spend at least £43.5m per year funding accommodation and financial support for destitute migrants with NRPF to safeguard the welfare of children within families, adults with care needs and young people leaving care.
- 7.6. There could be financial implications related to the council having to bring in specialist advice to understand the potential changes to regulations and legislation.
- 7.7. There could be financial implications for the council in having to administer another General Election should the decision be made to call one as a result of a deadlock in negotiations between the UK and the EU on the terms of the exit.

## **8 LEGAL AND STATUTORY IMPLICATIONS**

- 8.1. Over the period of membership, a number of EU laws have been incorporated as part of domestic statute and there is not yet a definitive position on which laws will be kept, amended or repealed. There are a number of pieces of EU legislation that currently impacts on the way the council delivers its services including those linked to procurement, waste,

recycling, air quality, transport, consumer rights laws and the provision of service regulations.

- 8.2. There are a number of areas where it is likely to be decided that it is essential or helpful for EU-origin laws to remain and that the council will need to continue to adhere to. However local government leaders continue to push the case as part of the negotiations for leaving for further devolution and public service reform and have highlighted the opportunity that EU-origin laws could be improved through amendment.
- 8.3. The far-reaching implications of Brexit have been addressed in this report and as well potential amendments and repeals of legislation; there is the practical impact with regards the fall out of a no deal (or a hard Brexit). There is the effect this will have on the economy and in particular exchange rates and the impact on the contractors/suppliers that the Council is in contract with. In the short term it might be prudent for the council to carry out a due diligence exercise on the financial viability of suppliers/contractors with regards contracts which are high risk or high value. This is also the time to consider contingency plans with regards this area of concern, as well as those areas where EU nationals are directly and indirectly employed and the other areas identified in this report.

## **9 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

- 9.1. The Human Rights Act was passed into UK law in 1998. The human rights contained within this law are based on the articles of the European Convention on Human Rights. The Act 'gives further effect' to rights and freedoms guaranteed under the European Convention. As outlined under the legal and statutory implications section, it remains unclear which EU-origin laws and regulation that the UK will continue to adhere to or seek to repeal.
- 9.2. Many areas saw a rise in reported hate crime immediately following the referendum result and there is evidence, collected both locally as well as regionally and nationally that shows different European communities expressing concern about the future. In the lead up to, and following the date of the exit of the UK from the EU there could be implications for community cohesion within the borough and the potential for instances of hate crime.

## **10 CRIME AND DISORDER IMPLICATIONS**

- 10.1. As set out under the community cohesion implications, there is the potential for the UK's exit from the EU to lead to a rise in community tensions and a rise in the number of instances of Hate Crime. Figures showed 3000 allegations of hate crime made to UK police in the week before and after the referendum vote on June 23<sup>rd</sup>.

## **11 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

- 11.1. The impact of the UK's exit from the EU has been identified as a key corporate risk in the Key Strategic Risk Register. A 'no deal Brexit' could have significant negative effects on a wide range of council services and businesses as a result of uncertainty and the failure to secure a smooth transition from EU membership.



**12 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**

None

**13 BACKGROUND PAPERS**

- 13.1. There are a number of articles, briefings and reports that have been used to put together this report, which are hyperlinked to in the document where relevant

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