

Committee: Cabinet

Date: 19 September 2019

Wards: All

Subject: Preparing the Council for the United Kingdom's exit from the European Union

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Mark Allison, Deputy Leader & Cabinet Member for Finance

Contact officer: John Dimmer, Head of Policy, Strategy and Partnerships
(020 8545 3477 / john.dimmer@merton.go.uk)

Recommendations: That Cabinet:

A. Notes the possible impact on the council, residents and businesses of the United Kingdom's departure from the European Union and the work that the council and its partners is doing to prepare for potential scenarios post departure.

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 could be affected by the United Kingdom's (UK) departure from the European Union (EU). It also highlights the implications of Brexit for residents of the borough and the local community.
- 1.2. The report provides an update on policy developments at a national level and actions undertaken locally by the council since the previous report on preparing the council for the UK's exit from the EU that Cabinet received on 12 November 2018.
- 1.3. There remains continued uncertainty about whether the UK's withdrawal will be with or without an exit agreement in place. Until the terms of withdrawal are fully known it will be hard to determine its exact impact, however the council will need to be prepared for all eventualities, including the UK leaving without a deal.
- 1.4. The council's Brexit Task Group continues to keep up-to-date with developments, regularly reviewing the areas of highest potential impact. This will enable the council to strengthen its resilience and develop contingency plans in key areas such as workforce, regeneration, funding, legislation and community cohesion. The council is also working closely with London Councils, other London boroughs at a regional level and MHCLG to identify and plan for issues arising from the UK's departure from the EU.

2 ACTIONS TAKEN BY THE COUNCIL TO PREPARE FOR BREXIT

- 2.1. In 2018, the Leader of the Council created a Cabinet role to assess the impact of Brexit and ensure that actions are being taken as appropriate.
- 2.2. Following this a Brexit Task Group, chaired by the Director of Corporate Services, was established to look at the implications of Brexit in more detail

and direct actions being taken. The Task Group has met monthly since November 2018 and includes standing members representing HR, Finance, Legal Services, Communications, Procurement, Safer Merton, Emergency Planning and departmental representatives from Children, Schools and Families, Community and Housing and Environment and Regeneration.

- 2.3. As the council's Brexit lead, the Director of Corporate Services will be attending a Brexit Summit on 16 September arranged by the London Resilience Group on behalf of the London Resilience Forum. The event will focus on planning to date, regionally and by and individual agencies, including local authorities, police and health. The Director of Community and Housing is the Brexit lead on behalf of London Association of Directors of Adult Social Services and is leading the co-ordination of contingency planning around the impact of Brexit for social care services.
- 2.4. At a meeting on 12 September 2018, Council welcomed the news that the Council's strategic risk register was being updated with regards to Brexit. It 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.
- 2.5. Council also expressed its support for residents of the borough that are EU nationals and agreed to support the call for a People's Vote on any final Brexit deal. Council requested that the Leader of the Council write Wimbledon's MP, Stephen Hammond MP, to ask him to support a People's Vote.
- 2.6. The council has been committed to supporting EU nationals in the borough to achieve settled status, recognising that local authorities are a key and trusted provider of information and often the first point of contact for people locally. Merton is one of the local authorities that is providing an ID document scanning service, that can be accessed at Merton Registry Office.
- 2.7. A full-page spread appeared in the March edition of My Merton, highlighting whom the Settled Status Scheme affects and the information that EU national residents will need to register, with a further advert set to be published in the September edition. The council's communications team also continues to regularly put out information via social media relating to the scheme and linking to government guidance. Discussions have taken place with the Faith and Belief Forum about the scheme and further outreach to promote the Settlement Scheme is planned with local community organisations who have regular contact with EU nationals living in the borough.
- 2.8. Officers in CSF have attended a Home Office briefing relating to Looked after Children that are EU nationals and are developing an action plan to ensure the local authority fulfils its statutory obligations as corporate parent to children on full care orders.
- 2.9. With the risk that a significant proportion of people could fail to take up their right to settled status or struggle to get their application approved, £51,300 of the Brexit funding from government was allocated to Citizens Advice

- Merton and Lambeth (CAML) in April 2019 to deliver a Merton-wide EU Settlement Scheme Service with a dedicated paid specialist Adviser.
- 2.10. The service, which has been open since July 2019 will support Merton residents prepare and apply for the Settlement Scheme. This is also a proactive step to try and reduce the number of people that might become No Recourse to Public Funds (NRPF) should they fail to achieve settled status and meets the Council's priority objective to support community cohesion and assist residents in taking up their rights. In addition, the Brexit Task Group agreed that the offer of support should be extended to Merton staff that are EU national but not residents of the borough, which has been highlighted in staff bulletins. It is proposed to initially fund the post for one year, reviewing its impact and caseload before agreeing to the funding of the post for a second year.
 - 2.11. Safer Merton, in partnership with the police continue to monitor developments within the community as there may be an increase related to rising anxieties the closer we get to the 31 October. 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. The Safer Merton Hate Crime Steering Group has developed a communications and engagement strategy to put out messaging to reassure the community and about how to access support, reinforcing that Merton is a diverse and tolerant borough that has a zero tolerance approach to hate crime.
 - 2.12. Brexit could have wide-ranging implications for the future public sector workforce, particularly within social care. Officers from Community and Housing have visited and/or surveyed all home care agencies and providers. Council staff attending a Brexit Masterclass earlier in the year suggested that few other councils have gone as far as Merton in contacting all providers. In the context of increased risk levels around the UK leaving without a deal, however, adult social care commissioners will be renewing visits to providers in September to assess the latest position and additional support that may be required. Officers in C&H will also be carrying out financial modelling to look at what the worst-case scenarios could look like of a rise in provider costs.
 - 2.13. In March 2019, £10,000 of the Brexit funding from government was allocated to Adult Social Care, to support work with primary home care providers on a local recruitment campaign to offset the potential impact of Brexit on EU staffing and immigration policy on EU and Rest of World staffing.
 - 2.14. More widely in terms of the council's workforce, the 2018 Staff Survey included a question about whether staff were an EU National to try to get a better understanding of the current position. Managers have been asked to refer any staff that may have concerns around their status to HR for help and support, as well as highlighting the Settlement Scheme Service delivered by CAML which Merton staff are eligible for even if not being a resident of the borough.
 - 2.15. FutureMerton are engaging with our Business Improvement Districts, the Merton Chamber of Commerce and other key business groups to

understand the impact to date of uncertainty amongst local businesses. Businesses will be asked if there has been any noticeable changes, any difficulties around recruitment, meeting demand and from this, establish if there are any sector trends that have occurred.

3 BACKGROUND

- 3.1. On 23 June 2016, The UK voted to leave the EU (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% of the vote (2.26 million votes). In Merton 62.9% of those, voting (63,003) voted to remain against 37.1 per cent (37,097) that voted to leave.
- 3.2. The government formally triggered the process of the UK's withdrawal from the EU on 29 March 2017. Since that time, Parliament has had the opportunity to vote on the government's proposed withdrawal agreement three times and voted it down each time. Parliament also voted to reject leaving the EU without a withdrawal agreement. Following this, at a meeting of the European Council on 10 April, the Government agreed an extension to the Article 50 process until 31 October 2019.
- 3.3. At time of writing leaving, the EU without a deal on 31 October is the legal default, and there is an increasing possibility that the UK will be leaving without a withdrawal agreement in place. Recent reports note that the Prime Minister has instructed the civil service to make preparations for leaving the EU without a deal its "top priority" for the immediate future, and urged all officials to work "urgently and rapidly" to ensure their departments are ready. Commentators continue to speculate as to whether a no deal exit could actually be stopped by Parliament, despite the vote earlier in the year, and whether there could be a General Election in the autumn.
- 3.4. Whatever the terms of withdrawal, whether it is via a deal or not, there will be a range of significant effects on local government and the communities they serve. MHCLG have stated that local government is 'critical to delivering a successful Brexit' and that their objective is to 'champion local government and help them to influence, prepare, adapt and innovate in response to Brexit and ensure a successful transition phase with minimal impact on council services and local people'. Local authorities have a unique and important perspective to bring to the negotiations as community leaders, service providers, employers and shapers of place.

4 DETAILS

- 4.1. On 12 July 2018, the Government published its White Paper on the [Future Relationship between the United Kingdom and the European Union](#). The proposals in the White Paper helped to inform discussions between Government officials and EU negotiators and provided the framework for the proposed withdrawal agreement that Parliament voted against earlier in the year.
- 4.2. The Government has always stated its intention to negotiate a deal, however, the current impasse in negotiations between the EU and UK, and

the new Prime Ministers insistence that the UK will definitely leave the EU on 31 October means that no deal preparations both at a national and local level are increasingly important.

- 4.3. A letter from the Secretary of State for Housing, Communities and Local Government went to all Leaders of English local authorities on 31 January 2019 outlining a step up in no deal preparations and additional Brexit funding for local authorities. Whilst not ring-fenced, it was the expectation from MHCLG that local authorities use this to fund preparatory work for Brexit-related activities. Merton will receive £210,000 over the two years of the planned transition period. So far, this funding has been used to support work with primary home care providers on a local recruitment campaign to offset the potential impact of Brexit on staffing; and the funding of a dedicated specialist adviser at Citizens Advice Merton and Lambeth to deliver a Merton-wide EU Settlement Scheme Advice Service.
- 4.4. On 31 July 2019, the Chancellor Sajid Javid [announced £2.1 billion for no-deal Brexit preparation](#); £1.1 billion being provided to departments and the devolved administrations immediately, and a further £1 billion to be made available, should it be needed. This has been described as funding that will ensure government department's step up vital operational preparations across the country as the UK leaves the EU on 31 October. Funding announced will be used for border and customs operations, critical medical supplies, support for UK nationals abroad and an awareness campaign to ensure the public and businesses are ready to leave the EU.
- 4.5. £434 million is to be made available to help ensure continuity of vital medicines and medical products, including through freight capacity, warehousing and stockpiling. £108 million is to be made available to promote and support businesses to ensure they are ready for Brexit, including a national programme of business readiness and helping exporters. £138 million will be made available for public communications.
- 4.6. On 5 August 2019, Robert Jenrick, the new Secretary of State for Housing, Communities and Local Government, announced that all councils would be required to have a 'Brexit lead' to work with central government and increase their Brexit preparations. The Brexit lead should ensure the council has taken all reasonable steps, in line with relevant guidance and messaging coming from Government and its agencies, to prepare for exit from the EU on 31 October. This should include clear communication to local residents and businesses to support their own preparations for Brexit and a plan for how the council communicates important messages to stakeholders. As Chair of the Brexit Task Group, Caroline Holland, Director of Corporate Services is the council's lead officer for Brexit.
- 4.7. Following this announcement, on 10 August 2019 the Secretary of State announced £20 million of funding for all local authorities in England to aid Brexit preparations and support the work of Brexit Lead Officers - £10 million of new funding from the Treasury, while £10 million is money held over from the Brexit funding announced earlier this year. Under this second round of funding, Merton has received an additional £105,000 as part of Brexit

preparations. The Government has highlighted that certain areas may face pressures that are more acute and continues to consider how to allocate this funding.

- 4.8. A focus on Brexit has meant a delay in the 2019 Spending Review that has caused uncertainty for local authorities in understanding the level of funding allocated from government departments. It is highly likely that the formula funding review for how local government is funded will be delayed together with the Adult Social care green paper that is already late. This has consequences for financial planning and setting council budgets. The council is assuming for planning purposes that Government funding will remain at the same level with a potential for a downturn in business rate income, together with a contingency reserve to act as a buffer to any financial turbulence.
- 4.9. It should be noted that any actions that the council has taken, or will take with its partners to mitigate the risks of the impact of Brexit, in particular a no deal exit, are not being taken in isolation. As a sector, Local Government continues to press its case to MHCLG for more clarity to enable it to support a successful transition. Councils across the country are collating relevant information to identify key risks to residents, businesses and their communities posed by the UK leaving the EU in order to report this to government.
- 4.10. At a citywide level, London has well developed resilience arrangements under the auspices of the London Resilience Partnership. These have been geared up in preparation to address a range of scenarios that London may need to respond as the UK leaves the EU. In terms of borough relations with central government, Pan-London arrangements have been established to ensure an effective and efficient two-way flow of information between MHCLG and boroughs.
- 4.11. At the beginning of the year, MHCLG and London Councils began requesting that all boroughs complete two Brexit Impact Trackers; a Baseline Assessment and weekly Impact Monitoring. The Impact Assessment tracker was designed to support pan-London assessments of both immediate and longer-term impacts of the UK's exit from the EU on London local authorities. Findings feed into the Resilience and Emergencies Division of MHCLG and their Local Government Policy Directorate and enables the identification of emerging pan-London issues and escalation of concerns, and provides assurance that boroughs are proactively engaged in preparations and impact assessments.
- 4.12. The weekly Impact Monitoring covers key current concerns, across areas such as recruitment, hate crime, planning applications and a number of other metrics, designed to try to track the impact of Brexit locally. This is also designed to enable the identification of priority issues that can be escalated through weekly reports to Government. The council has been submitting the returns as required.
- 4.13. Following the extension to Article 50 the London Strategic Co-ordination of responses to central government was temporarily stood down, alongside the

formal weekly and monthly reporting of information that boroughs had been completing since January. Boroughs were still encouraged to continue to report, by exception, any new items and emerging local intelligence. The Chief Executive of London Councils continued to be engaged in weekly conference calls with the other eight Regional Hub Chief Executives, the LGA and MHCLG.

- 4.14. It has now been confirmed that by the end of the summer there will be a return to a form of more regular reporting. Single Points of Contact in each borough have been re-engaged and work and activity that individual boroughs have been progressing since April will be collected. Weekly briefings will re-commence for the London region from the start of September 2019.
- 4.15. MHCLG continue to publish guidance from government to assist local authority preparedness for exiting the EU. The LGA have also put together a Brexit advice hub for local government that compiles policy advice from a wide variety of sources and analyses them against their headline concerns for local government.

No Deal – the consequences for local government

- 4.16. There is currently daily speculation and warnings about what the implications are of a no deal exit from the EU, so it is important to try to take a measured approach to reviewing the different pieces of information being released. The Office for Budget Responsibility (OBR) has warned that a no deal Brexit would be “very serious” for the UK’s public finances. The OBR have said leaving the EU without a deal would put Britain into a recession that would shrink the economy by two per cent and push unemployment above five per cent. Current forecasts for spending and tax receipts are based on Britain leaving the EU with an agreement in place.
- 4.17. In the LGiU’s view, local government now has to plan for a possible no deal with greater urgency than before the last deadline, although it recognises the challenges of having to plan for something unknown in both its impact and the uncertainty of it happening. Jonathan Carr-West, CEO of the LGiU, has set out what he sees as the potential immediate impact (Public Finance 7 August):
- 4.18. *“After the 31st, there are a set of initial consequences that could unfurl very quickly. For councils on the frontline such as those in Kent the effects could be immediate. In the run up to the March Brexit deadline, they were putting in place traffic management plans, drafting in extra police and working on the assumption, that gridlock from the ports would have a knock on effect on schools, hospitals and other public services. Those plans will need to be reactivated for October.*

Elsewhere in the country, there will be less immediate impact but councils will still be bracing themselves: whatever happens after 31 October there will be large numbers of people unhappy about it. Local authorities will be reviewing their plans for public disorder and civil unrest. In the very worst-case scenarios, if we do see shortages of food or medicines councils will be

thinking about how they protect vulnerable groups such as children and the elderly. The sheer range of local authority responsibilities means that pretty much what ever goes wrong they will have a role in dealing with it.”

- 4.19. In the medium and longer term, the impact of no deal on local government is equally hard to predict. In the LGiU’s view, priorities for post brexit funding could cause major conflict about competing priorities – across nations, localities and sectors. The short, medium and long term effects on the economy can be guessed at but not fully known – the consensus (even within government) is that a no deal exit would have negative consequences, but it is not clear which regions or sectors will be impacted the most. Even after withdrawal, the repatriation of powers and laws will not be complete, so the impact of such a huge change will not be clear for many years.
- 4.20. It is speculated that a no deal withdrawal will have a negative impact on border controls and flow into and out of the country for people and goods. Disruption at ports could affect roads into London and elsewhere and there could be a possible knock-on impact of reducing commuter capacity into London, either on roads or on rail as more people turn to rail for their transport. Delays of goods into the country may also have an impact on equipment, food and medication.
- 4.21. Communications coming from across government are that preparations for a no deal exit are being increased nationally, and as such the council now needs to be prepared at a local level to mitigate against the impacts that the UK leaving the EU without a deal will have. The Brexit Task Group will continue to assess the latest developments and work with departments to ensure that contingency plans are in place as required.

Seasonal issues

- 4.22. The extension to Article 50 and the change of the planned date of withdrawal from 31 March to 31 October 2019 means that there is the potential for Brexit to have an impact on seasonal issues that may not previously have been considered. Some key issues that have been identified both nationally and locally that should be considered:
- October is a busy period as traders prepare for Christmas. It is the busiest time of the year for freight handling at Heathrow. Warehouses will be fuller than in March as they are stocked for Christmas
 - By the winter the UK growing season will have ended and a higher proportion of food is imported over the winter period
 - The start of winter is often a period of a higher demand for power. Typically, the Government issues alerts to the market to increase the supply of power so it is possible that there could be an impact depending on agreements around fuel. Electricity trading may be disrupted as Britain leaves the internal energy market

- NHS winter reporting will start as the organisation prepares for winter pressures. After enquiries locally, NHS England have said that they have taken precautions to secure stock of all flu vaccines
- A severe winter could result in a greater demand for salt and grit for the roads. It should be noted that the council's supply of salt comes from UK based suppliers.

Citizenship and migration

- 4.23. The EU Settlement Scheme allows EU citizens and their family members to gain the immigration status they need to continue to live, work and study in the UK. This status means they will continue to be eligible for public services, such as healthcare and schools, as well as public funds and pensions. The scheme has been open since March 2019.
- 4.24. 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. 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).
- 4.25. The deadline for applying is 30 June 2021 if there is a deal and transitional period. However, if the UK leaves the EU without a deal, then potential applicants will need to be living in the UK on or before the date the UK leaves the UK to be eligible for settled status.. The deadline for applying under a no deal scenario will be 31 December 2020. The Government has indicated that a person who fails to apply by the end of June 2021 (or December 2020) may have no lawful basis to remain in the UK, but it is currently unclear what the consequences of this will be.
- 4.26. Deportation of EU citizens is something the EU has extremely high protection against, but in the case of a no deal scenario, the high standard of protection against deportation currently governed by EU law would apply in the UK only until the date of withdrawal. After this, UK law will apply to EU nationals as well as non-EU nationals. It allows anyone considered a "foreign criminal" to be deported automatically. If 'EU citizens who fail to secure settled status before the deadline' becomes a category under UK law for someone that is living in the country illegally then there is a chance they could be liable to deportation.
- 4.27. If the UK leaves, the EU without a deal, the government has stated intention to end free movement on 31 October 2019. This position differs from the withdrawal agreement rejected by Parliament earlier in the year, where free movement would continue during a "transitional period" after which the UK would set its own rules on immigration. In the event of no-deal, only EU citizens and their family members currently in the UK or who arrive before the Brexit deadline of 31 October 2019 would be able to apply to settle under the Settlement Scheme. Those arriving in the UK from 1 November 2019 would not.

- 4.28. On 4 September Government announced immigration plans in the event of a no deal Brexit that will introduce a 'tougher UK criminality threshold for EEA citizens'. The changes will be introduced alongside a new European Temporary Leave to Remain scheme (Euro TLR) for EEA and Swiss citizens and their close family members. Citizens of those states moving to the UK after we have left the EU and up until the end of 2020 will be able to obtain a temporary immigration status lasting 3 years.
- 4.29. Local authorities are a key provider of information affecting people's everyday lives and often the first point of contact for people locally. MHCLG have highlighted that councils can help assist those EU citizens who need support to apply to the EU Settlement Scheme – particularly EU citizens that are vulnerable or in hard-to-reach groups. MHCLG have noted the value of the strong networks councils have and have asked them to work in collaboration with government agencies to ensure EU citizens in a local area are informed about the EU Settlement Scheme and how to apply. Merton is one of the local authorities signed up host an ID document scanning service that can be accessed at Merton Registry Office.
- 4.30. As leaders of place, local authorities can also 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.
- 4.31. According to the Census data from the Office of National Statistics, as at 2011 there were 18,690 EU nationals in the borough. This was 9.3% of the borough's population. Of this total number, 7,649 were from EU member states as of 2001, while 11,041 were 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 as at 1 August 2019 shows that the total number of EU residents in the borough has increased to 24,794.
- 4.32. A nationally funded campaign around Settled Status, targeted specifically at EU nationals through Facebook and adverts in different languages was launched earlier in the year. Locally a full-page spread appeared in the March edition of My Merton, highlighting whom the Settled Status Scheme affects and the information that EU national residents will need to register, with a further advert set to be published in the September edition. The council's communications team also continues to regularly put out information via social media relating to the scheme and linking to government guidance. Discussions have taken place with the Faith and Belief Forum about the scheme. Further outreach to promote the Settlement Scheme is planned with local community organisations who have regular contact with EU nationals living in the borough. The Home Office has published guidance and has a contact centre giving advice to EU nationals. Further information for staff, councillors and residents is set out in Appendix 1.
- 4.33. Information picked up from other boroughs since the launch of the Settled Status Scheme has highlighted that in some instances an extensive level of support is required in enabling those in hard to reach and vulnerable groups

to be able to put together the information required to complete their applications. There may also be significant challenges in ensuring that all those that need to apply, will apply, which could have potential implications for a rise in 'No Recourse to Public Funds' presentations. Specifically there have been a number of issues with getting the required documentation from embassies for children that are looked after or that are care leavers.

- 4.34. Officers in CSF have attended a Home Office briefing relating to Looked after Children that are EU nationals and are developing an action plan to ensure local authority fulfils its statutory obligations as corporate parent to children on full care orders. If the UK leaves without a deal this has implications for bringing forward, the dates when people will need to apply for settled status, or may mean they are no longer eligible if not living in the country before 1 November. This is particularly important as it relates to Looked after Children where the process of applying on their behalf may take longer or be more complex.
- 4.35. With the risk that a significant proportion of people could fail to take up their right to settled status or struggle to get their application approved, £51,300 of the Brexit funding from government was allocated to Citizens Advice Merton and Lambeth in April 2019 to deliver a Merton-wide EU Settlement Scheme Service with a dedicated paid specialist Adviser.
- 4.36. The service, which has been open since July 2019 will support Merton residents prepare and apply for the Settlement Scheme. This is also a proactive step to try and reduce the number of people that might become No Recourse to Public Funds (NRPF) should they fail to achieve settled status and meets the Council's priority objective to support community cohesion and assist out residents in taking up their rights. In addition, the Task Group agreed that the offer of support should be extended to Merton staff that are EU national but not residents of the borough, which has been highlighted in staff bulletins. It is proposed to initially fund the post for one year, reviewing its impact and caseload before agreeing to the funding of the post for a second year.
- 4.37. Another organisation that receives funding from the council's strategic partner programme, South West London Law Centres is also publicising a European Union Settlement Scheme Complex Cases support offer for those with more complex case, or that require need additional help in applying.
- 4.38. In total nationally, as of 31 July 2019, 1,040,600 EU citizens have applied to the EU Settlement Scheme. The total number of applications that have been concluded, as of 31 July 2019, was 951,700. Of these, 64% were granted settled status and 36% were granted pre-settled status. The Home Office has recently published 'experimental statistics' on the number of applications to the settlement scheme by local authority [area](#). This indicates that around 8,400 Merton residents have applied to the scheme, about a third of the estimated EU nationals in the borough.
- 4.39. The fall in the value of the pound means that the cost of living abroad has increased, and there is the possibility that some UK citizens currently living in the EU may choose to return. 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 that they would 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. However, if the UK leaves without a deal then the EU cannot give such a guarantee for UK citizens because it would be up to individual member states.

- 4.40. The priority for most will be to register as residents of the country in which they have moved to, but the rules - including deadlines for paperwork - vary from country to country. The European Commission, in its contingency plan for no-deal Brexit has asked the EU27 to "take a generous approach to the rights of UK citizens in the EU, provided that this approach is reciprocated by the UK". Large numbers of UK citizens returning home could put pressure on the availability of housing, and 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 peoples services. In terms of adult social care services, locally, this has been assessed as having a minimal impact as many will not likely meet the threshold for services, but it may need more agency social workers to process and assess returnees. More widely, however there would be an impact on local NHS and health services.

Community cohesion

- 4.41. Councils have an important role to play in promoting integration and community cohesion, especially at a time of significant upheaval and uncertainty. Merton launched its [Hate Crime Strategy](#) shortly after the EU referendum 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. As a report by London Council's 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.
- 4.42. Locally, there has not been a rise in reported instances of hate crime linked to Brexit. Community cohesion is formally monitored via the police, with them sharing incidents accordingly. Safer Merton, in partnership with the police will continue to monitor developments within the community as there may be an increase related to rising anxieties the closer we get to the 31 October. 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. The Safer Merton Hate Crime Steering Group with clear messaging to reassure the community and how to access support and reinforcing that Merton is a diverse and tolerant borough that has a zero tolerance approach to hate crime has developed a communications and engagement strategy.

- 4.43. There is though the possibility that demonstrations could take place across the UK and a rise in public disorder and community tensions if food and supplies of other products into shops are affected. London, as the seat of the UK Government is likely to attract a higher proportion of protests and politically motivated demonstrations (evidenced in March and April). It is unlikely that these types of demonstrations will affect Merton; however, they may absorb significant amounts of police resource dealing with issues locally. Officers from the Safer Merton team are in contact with the BCU Brexit lead to ensure readiness of any possible disorder arising from the UK's departure.

Workforce

- 4.44. 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. [London Councils research from August 2017](#) 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. The last published Skills for Care data showed that 13% of the Merton social care workforce had an EU nationality, and 26% a non-EU nationality. The Association of Directors of Adult Social Services (ADASS) has said that it is likely that the sector will "struggle to cope" unless there is an "absolute guarantee" from the government that EU nationals can continue to work in the UK, without disruption.
- 4.45. 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 care work being a less attractive proposition for British workers. If there are struggles around recruitment, with EU nationals no longer choosing to come to the UK to work then there may be wage increases and rising prices as providers look to attract people. In addition, there have been concerns that any inflationary increases because of Brexit could push up costs in an already difficult financial environment for home care providers.
- 4.46. Within Merton, all home care agencies and providers have now been surveyed and/or visited. It has not been found that there have been instances of large numbers of EU care staff leaving, however future recruitment remains a key issue. Council staff attending a Brexit Masterclass earlier in the year suggested that few other councils have gone as far as Merton in contacting all providers. In the context of increased risk levels around the UK, leaving without a deal, however, adult social care commissioners will be renewing visits to providers in September to assess the latest position and additional support that may be required. At time of writing no care providers had highlighted a significant risk of no longer being able to provide a service in the immediate short term, however rising costs and an increase in inflation following withdrawal would significantly impact providers due to increasing staff and supply costs, and could lead to provider

failure. Officers in C&H will be carrying out financial modelling to look at what the worst-case scenarios could look like of a rise in provider costs.

- 4.47. In March 2019, £10,000 of the Brexit funding from government was allocated to Adult Social Care, to support work with primary home care providers on a local recruitment campaign to offset the potential impact of Brexit on EU staffing and immigration policy on EU and Rest of World staffing.
- 4.48. Work has commenced with local providers, DWP and Skills for Care, and supported by a social media campaign, a recruitment fair in June was successful in helping attract 500 people to attend, however this has only translated to a small number of people actually taking up roles. Recruitment to the care sector will remain a key area of focus for actions.
- 4.49. The Migration Advisory Committee (September 2018) had recommended that existing minimum salary thresholds be kept in a post-Brexit immigration system and was also clear to not recommend that the public sector should receive special treatment in the migration system. A report by LGiU on the impacts of Brexit on local government argues that if a post-Brexit migration policy settles on high salary thresholds for skilled workers then the £30,000 threshold and required academic qualifications will be 'unrealistic' for most home care providers. However, the previous Home Secretary, Sajid Javid had signalled in June 2019 that the government was preparing to drop plans for a £30,000 minimum salary threshold, and consider the introduction of regional salary thresholds and exemptions for some sectors this has never been announced as government policy.. There is speculation that the government is looking at plans to exempt the social care sector from the proposed post-brexit migration policy but this is yet to be confirmed.
- 4.50. Within Children, Schools and Families, there is a low risk in terms of the council's directly employed workforce but there may be implications for other support staff, for example teaching assistants in schools that are mainly drawn from the local population. There could be a possible impact on the pool of available agency social workers in London with EU qualifications, although the size of this issue is unknown, and use of agency staff in CSF has reduced significantly. Schools have been written to and asked to feedback where the impact would be significant.
- 4.51. More widely in terms of the council's workforce, the 2018 Staff Survey asked staff whether they were an EU National. Of the 53% of staff that responded to the survey, 16% indicated that they are an EU national. It is unknown about how many EU nationals are amongst the 47% of staff who did not respond to the survey. However, these figures show that a significant number of the council's workforce could be impacted and may have to apply for settled status. Managers have been asked to refer any staff that may have concerns around their status to HR for help and support, as well as highlighting the Settlement Scheme Service delivered by CAML which Merton staff are eligible for even if not being a resident of the borough.
- 4.52. In the event of a no deal withdrawal, and those arriving in the UK from 1 November 2019 not being eligible for settled status, there is now

considerable uncertainty about the circumstances of any offers of employment being made.

- 4.53. Looking at agency staff and interims, Comensura, the council's provider of agency staff have said they are unable to hold information on whether someone is an EU national unless the candidate has previously provided their ethnicity, which they are at liberty to withhold. Veolia as a company have a national approach to tackling the impacts of Brexit and have been identifying staff that are EU nationals and funding and supporting them to apply for Settled Status including providing advice and translation for documents/evidence required for the process. Departments continue to work with other contractors to make sure that they are taking the necessary steps to continue to deliver contracted services following 31 October.

Supplies and equipment

- 4.54. There has been no indication at this stage from the council's specialist suppliers that obtaining spares and equipment will be an issue; however, this will need to be kept under much closer review and regular monitoring with an increasing likelihood of no deal. Options have been explored for storage in the borough if it may be required.
- 4.55. It is considered unlikely that there will be an overall shortage of food in the UK; however, there may be a reduction in some areas, including some types of fresh food and this could lead to price rises, which will affect the most vulnerable. While local authorities do not manage or control food supplies, DEFRA have highlighted that they are well placed to provide intelligence on any developing issues that could assist relevant departments to support communities and have an important role in the UK's food system through the enforcement of food safety and standards regulation. Locally Community and Housing and Public Health are collecting information on food banks and voluntary groups that serve food and looking at actions to support them.
- 4.56. It is possible that the supply of medicines and medical products could be impacted by a reduced flow of goods into the country and local stockpiling by organisations or individuals might cause further shortages. Nationally the NHS is putting place-mitigating actions to ensure additional stocks in the UK. Medicines and medical products will also be able to utilise priority ferry routes, which by-pass the short straits ports, to bring products into the country. The NHS will however continue to monitor stock movement levels and act if it detects abnormalities that might indicate local stockpiling, so that action can be taken.

EU Funding

- 4.57. One of the biggest concerns from councils nationally 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 UK-wide, unless a viable domestic successor to EU regional aid is put in place. 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 argued that there was 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.

- 4.58. An internal review was carried out which found that Merton is not currently in receipt of any EU funding that will need to be replaced, however it will no longer have access to put in any bids to European funds for projects such as the regeneration of Morden Town Centre where there may previously have been the opportunity. Therefore, the Task Group have noted the importance of monitoring the development of any replacement funds.
- 4.59. In March 2019, the government announced the launch of a new £1.6 billion fund to support 'less well-off towns in England' after Brexit. The pot will be split into a £1 billion fund to be distributed according to a needs based formula and £600 million which communities will be able to bid for. Towns in London will not be eligible for the £1 billion share of the fund, but towns within the GLA may be able to bid for a share of the £600 million. Further details on the fund have yet to be announced but the Brexit Task Group continues to monitor the details and criteria for the funding to see whether areas in London will be eligible for submitting bids.

Laws, legislation and devolution

- 4.60. 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 previously moved to assure people of continuity (at least in short-medium term) and that it will name UK successor agencies to EU regulators. DEFRA has published a Draft Environment Bill, setting out how they will maintain environmental standards as the UK leaves the EU.
- 4.61. Local government leaders as a part of the negotiations for leaving continue to push the case for further devolution and public service reform and have highlighted the opportunity that EU-origin laws could be improved through amendment.
- 4.62. 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 discarded. For example, there are many EU-origin laws that commentators highlight could be improved through amendment; including public procurement, state aid rules and new approaches to waste, recycling and landfill. Equally, there are areas where it is beneficial for EU-origin laws to remain, including air quality, transport, consumer rights laws, the provision of service regulations and the TUPE regulations.

- 4.63. So far, there have not been major changes to The Public Contracts Regulations 2015 for procurement, but thresholds may be changed. The Cabinet Office issued a Procurement Policy Note in March 2019, which stated:
- The European Union (Withdrawal) Act 2018 contains powers to fix deficiencies that arise as a result of the UK's withdrawal from the EU. For public procurement, the amendments to the current regulatory framework were made in March. The Public Procurement (Amendment etc.) (EU Exit) Regulations 2019 were made on 13th March. Those Regulations were subsequently amended by the Public Procurement (Amendment etc.) (EU Exit) (No. 2) Regulations 2019 that were made on the 20th March. In the event of no deal, the Public Procurement (Amendment etc.) (EU Exit) Regulations 2019 will come into force, in their amended form, on exit day.
 - In the event of a no deal Brexit, contracting authorities will need to publish public procurement notices to a new UK e-notification service that will replace the EU publications office.
- 4.64. Flexibility may need to be built into our future procurement and where we buy goods and services. Commercial Services have written to contract managers to ask them to review all contracts and identify any that:
- Rely on EU grant funding
 - Rely on staff that are EU Nationals to deliver the service
 - Have the potential to be impacted by currency volatility
- 4.65. In the event of a 'no-deal' Brexit, with no agreed arrangements covering data protection, the Government is advising organisations to prepare appropriate contracts to ensure any transfer of European Union citizens' personal data to the UK is compliant with privacy laws. The UK could be regarded as a third country when it exits the EU. As a result, the transfer of personal data from organisations within the EU to other organisations in the UK will be subject to strict data transfer rules, as set out by the EU General Data Protection Regulation (GDPR). EU organisations will have to ensure their transfers to UK are lawful, which will no longer be as straightforward as it is now.
- 4.66. The government has stipulated that following Brexit it does not intend to apply restrictions on transfers of personal data from the UK to the EEA, however The EU has not yet granted similar modification in respect of transfers to the UK. Following Brexit, transfers of personal data from the EEA to the UK will be restricted. This will have a major impact on any organisation that routinely transfers personal data from the EU to the UK. This could have an impact for the legal frameworks covering the work of local authority children's services in areas of family law (where families cross borders), child protection, and supporting children suffering abuse, exploitation or abduction and could result in significant data protection issues where institutions and services work across national boundaries.

- 4.67. Departmental Management Teams continue to reviewing legislation and technical guidance updates as it relates to the specific service areas within their departments and report this information to the task group as required.

Regeneration, house building, skills and the high street

- 4.68. 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 consequently 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 local Housing Company and the program of construction outlined in its establishment. A report is being commissioned by MDL to provide an update on the construction industry; pricing, availability of labour and availability of materials.
- 4.69. 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.
- 4.70. Locally, FutureMerton have assessed that the immediate impact of Brexit on the council's existing regeneration and building schemes will be negligible, however if there is no deal, and a protracted exit then there will start to be an impact from exchange rates. If there is, still an economic downturn a year later then there could be an impact for the council's Local Housing Company in terms of construction costs, tender prices and availability and costs of labour. The value of the council's portfolio could also be impacted as the property market goes up or down. The council continues to analyse industry indicators for data relating to gaps and shortages in the construction sector. FutureMerton also intend to engage with our Business Improvement Districts, the Merton Chamber of Commerce and other key business groups to understand the impact to date of the uncertainty. To ask businesses if there has been any noticeable changes, any difficulties around recruitment, meeting demand and from this, establish if there are any sector trends that have occurred.
- 4.71. 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. 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. 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.

- 4.72. Merton has contributed to the Mayor's Skills Strategy and emerging Industrial Strategy. The Skills for South Londoner's Skills Strategy (February 2018) set out actions to meet challenges for businesses and recognised current skills gaps. The strategy sets out three priorities to support residents towards and into work, increase employer participation and investment in skills and to align the skills offer to our growth and strategic sectors.
- 4.73. Since Brexit, the fall in the pound has made imported goods more expensive, with the additional potential for costly tariffs to be added in the case of a no deal withdrawal. This comes at the same time as wages rising at a slower pace than inflation, meaning people with less disposable income. There are a number of wider reasons behind the continued decline in 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. The council continues to regularly liaise with business organisations via the Chamber of Commerce and monitor any changes to business rate income.

5 ALTERNATIVE OPTIONS

- 5.1. 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.

6 CONSULTATION UNDERTAKEN OR PROPOSED

- 6.1. None.

7 TIMETABLE

- 7.1. The UK will leave the EU on the 31 October 2019.
- 7.2. After 31 October 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. However, Britain will no longer have a vote.

- 7.3. The closing deadline for applications to be submitted for settled status will be 30 June 2021 or in the event of a no deal withdrawal 31 December 2020.
- 7.4. Although Britain's departure from the EU has been delayed, the December 31, 2020 date for the end of the transition period has not been changed (assuming there is a deal with the EU).

8 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 8.1. A focus on Brexit has meant a delay in the 2019 Spending Review. A delay to the Spending Review causes uncertainty for local authorities in what level of funding is allocated from government departments. It is highly likely that the formula funding review will be delayed together with the Adult Social care green paper that is already late. This has consequences for financial planning and setting council budgets.
- 8.2. There is considerable potential for inflationary pressures in the short term, in terms of wages, goods and services, to increase future costs to the council. At this stage it is impossible to plan for what this might be and will therefore need to be met from within the current inflation budgets in the MTFS, but will be kept under constant review to mitigate impact of delivering new savings to offset these costs.
- 8.3. The council has been allocated £210k in funding for 2019/20 and 2020/21 for costs associated with the departure from the EU. Additional funding of £105k has recently been announced.
- 8.4. At this point, £51,300 of Brexit funding from government has been allocated to Citizens Advice Merton and Lambeth to deliver a Merton-wide EU Settlement Scheme Service with a dedicated paid specialist Adviser and £10,000 to Adult Social Care to support work with primary home care providers on a local recruitment campaign.
- 8.5. There could be financial implications related to the council having to bring in specialist advice to understand the potential changes to regulations and legislation.
- 8.6. There could be financial implications for the council in having to administer a snap General Election, which may not be fully offset by government funding, should the decision be made to call one because of a continued deadlock in negotiations between the UK and the EU on the terms of the exit or on being called as a result of the UK's withdrawal.

9 LEGAL AND STATUTORY IMPLICATIONS

- 9.1. 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 affect 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.

- 9.2. 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.
- 9.3. 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 is prudent for the council to continue to carry out due diligence exercises on the financial viability of suppliers/contractors with regards contracts which are high risk or high value; staffing issues, whether the company's insurance policies are still in force or void; potential increases in prices of contracts, etc. The council should also continue to consider its 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.

10 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 10.1. 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.
- 10.2. 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.

11 CRIME AND DISORDER IMPLICATIONS

- 11.1. 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 23rd.
- 11.2. There is the possibility that demonstrations could take place across the UK that may absorb significant amounts of police resource. There may also be a rise in public disorder and community tensions if food and supplies of other products into shops are affected. London, as the seat of the UK Government is likely to attract a higher proportion of protests and politically motivated demonstrations (evidenced in March and April). The impact of demonstration is likely to be higher in London than other parts of the UK.

12 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 12.1. 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. The council's Brexit Task Group will continue to monitor the situation closely.

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

Guidance available to Merton Residents about the EU Settlement Scheme

14 BACKGROUND PAPERS

- 14.1. Cabinet Report 12 November 2018.
- 14.2. 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

Appendix 1: Guidance available to Merton Residents about the EU Settlement Scheme.

Guides (English) for the EU Settlement Scheme:

<https://www.gov.uk/settled-status-eu-citizens-families>

<https://www.gov.uk/government/collections/eu-settlement-scheme-applicant-information#guidance>

Guides for caseworkers published by the Home Office:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/791153/Main-EUSS-guidance-29-March-v1.0.pdf?_ga=2.149285938.546651607.1566399069-1626216763.1566310628

EU Settlement Scheme: translated information materials (26 European languages, including Welsh and Irish):

<https://www.gov.uk/guidance/settled-status-for-eu-citizens-and-their-families-translations#history>

<https://www.gov.uk/government/collections/eu-settlement-scheme-translated-information-materials>

Information on how to use the EU Exit: ID Document Check App.

<https://www.gov.uk/guidance/using-the-eu-exit-id-document-check-app>

There is an EU Settlement Resolution Centre that can be contacted to get help:

<https://www.gov.uk/contact-ukvi-inside-outside-uk/y/inside-the-uk/eu-settlement-scheme-settled-and-pre-settled-status>

This page is intentionally left blank