

Item No. 10.	Classification: Open	Date: 19 January 2021	Meeting Name: Cabinet
Report title:		Impact of Brexit on Southwark - Progress Report	
Ward(s) or groups affected:		All	
From:		Councillor Stephanie Cryan, Jobs, Culture & Skills	

FOREWORD FROM COUNCILLOR STEPHANIE CRYAN, CABINET MEMBER FOR JOBS, CULTURE AND SKILLS

The transition period for the UK to exit from the EU ended at 11pm on Thursday 31 December 2020. For many of us in Southwark it comes with a deep sadness, in a borough that overwhelmingly voted to Remain in the EU referendum.

It has always been our firm belief that whatever the impact of leaving the EU, we ensure that our residents and businesses are supported as much as possible as we all navigate the changes that arise from the Trade and Cooperation Agreement. This is the Agreement that sets out how the UK will partner with the EU across a range of areas. The UK has now left the customs union and single market, whilst tariff and quota free trade is maintained, businesses moving goods into the EU will now be subject to customs formalities. Freedom of movement has now ended meaning that all EU citizens living in the UK will have until 30 June 2021 to apply for settled status under the EU, with new entrants subject to new immigration rules.

The Council's Brexit Panel meets again on 28 January to consider this report and to hear from businesses about the initial impacts of the Trade and Cooperation Agreement. We will also be discussing how we can further promote and communicate the EU Settlement Scheme to EU nationals who find it hard to access Council services and what opportunities the new UK Shared Prosperity Fund presents for Southwark.

We will continue to monitor the impact of Brexit on our communities, residents and businesses and will continue to do what we can to mitigate any negative impacts. Southwark will remain open and welcoming to all of our EU citizens, standing in solidarity with our EU friends.

RECOMMENDATIONS

Recommendations for the Cabinet

That cabinet:

1. Note that the transition period came to end at 11pm GMT on 31 December 2020 and that a new Trade and Cooperation Agreement is now in place between the EU and the UK.
2. Note that the beginning of the UK's new relationship with the EU comes at a time of great uncertainty, with the UK still in the grip of the COVID-19 pandemic and the borough under national lockdown restrictions.
3. Note progress on ongoing local work in preparing for, and adjusting to, the UK's exit from the EU, and agrees that the cross-party Brexit panel should continue to be convened through 2021 as necessary to continue this work.

Recommendation for the Leader of the Council

That the Leader of the Council:

4. Delegate future decisions on the £300,000 Brexit fund to the Cabinet Member for Jobs, Culture and Skills (in consultation with the Strategic Director of Finance and Governance).

BACKGROUND INFORMATION

5. On 31 January 2020 the UK formally left the EU and entered an 11-month transition period, during which the new EU-UK partnership arrangements would be negotiated and finalised. During the transition period, which ended at 11pm GMT on 31 December 2020, nearly all EU rules continued to apply, with the UK remaining part of the EU customs union and single market.
6. Following a period of intense negotiations, on 24 December 2020 the UK and EU agreed a Trade and Cooperation Agreement (TCA) to govern our new trading and security relationship. During an emergency one-day sitting of parliament on 30 December 2020, MPs voted 521 to 73 – a majority of 448 – to pass the bill at its second reading in the House of Commons, with the House of Lords also voting in favour soon after. Royal assent was then given in the early hours of 31 December 2020, enshrining into law the European Union (Future Relationship) Act on the final day of the transition period.
7. With negotiations continuing into the Christmas period, the EU Council of the 27 member states was not able to convene and approve the TCA before 31 December 2020. Therefore, the EU Commission proposed to apply the Agreement on a provisional basis until 20 February 2021. At a to be confirmed date prior to 20 February 2021, the EU Council will convene and be asked to

(unanimously) authorise the signing of the TCA. The TCA between the EU and UK can then be formally signed by the EU.

8. With the EU-UK negotiations not concluding until the 'eleventh hour', the UK's future relationship with the EU remained uncertain throughout 2020. Nevertheless, the council has continued to do what it can to prepare for the impact of the UK leaving the EU on the borough and its residents, regardless of the outcome.
9. Regular reports have been presented to Cabinet since June 2016, setting out the steps that the Council has been taking to prepare for the impact of the UK leaving the EU.
10. This report now provides a further update.

KEY ISSUES FOR CONSIDERATION

11. Our new relationship with the EU. The TCA covers our future relationship with the EU and is made up of three pillars:
 - a Free Trade Agreement (FTA), covering our economic and social partnership with the EU;
 - a framework for cooperation between law enforcement and judicial authorities; and
 - an overarching governance arrangement.
12. The FTA covers not just trade in goods and services, but also a broad range of other areas. What follows is a high-level and brief summary of what the agreement means for the UK in each of these areas
 - Goods. Exported goods will not be subject to tariffs or quotas. However, most goods will have to meet rule of origin requirements – that is, they must meet the rules on how much content of a good can come from outside the UK or the EU. Further, now that the UK is no longer a member of the EU customs union, GB-EU traders are subject to customs formalities, so must complete customs declarations and associated paperwork when moving goods into the EU.
 - Services. The agreement maintains provisions on cross-border trade in services and investment, with continued market access across a broad range of sectors, including professional, business and financial services. However, the provisions are subject to a significant number of exceptions, varying by member state and by sector.
 - Intellectual property. High standards of protection for intellectual property rights have been maintained.
 - Data. The EU is yet to determine whether the UK's data protection regime is adequate, although it is likely to do so with an overall agreement now in place. In the meantime, a temporary arrangement is in place to allow data to continue to be transferred from the EU to the UK.
 - Public procurement. A common set of rules, based on the WTO Government Procurement Agreement (GPA), are in place to ensure a

transparent and non-discriminatory system of procurement by, for example, ensuring that UK/EU suppliers are not unfairly excluded from bidding on contracts. However, the rules are less prescriptive than EU regulations.

- Energy. The UK and EU will maintain their own energy and climate policies, but have agreed to cooperate in areas of mutual interest. The UK will continue to access the EU internal energy market.
 - Transport. UK Hauliers and passenger transport operators can continue operating between and through EU territory without the need for additional permits or licences. Flights can continue without limits on quantity or frequency. Unrestricted access to maritime markets is maintained.
 - Mobility. Certain businesses trips are permitted between the UK and EU without the need for visas provided they do not exceed 90 days in any 180-day period. UK/EU nationals travelling, working or living in the EU/UK will retain entitlements to certain social security benefits, such as healthcare, state pensions, unemployment benefits and maternity/paternity benefits.
 - 'Level playing field'. A common set of rules and standards have been put in place to ensure fair and open trade across the agreement, including protection in areas such as the environment and climate change, and social and labour rights.
13. The framework enables continued cooperation between EU and UK national police and judicial authorities. Close cooperation has been maintained in this area.
 14. The TCA establishes a new governance framework which sets out how the agreement will be operated and controlled, and how disputes will be resolved. A Joint Partnership Council (JPC), made up of sub-councils focussing on a specific area of the agreement, will be where disputes can be settled diplomatically. If disputes cannot be resolved by either the JPC or at an independent arbitration tribunal, parts of the TCA can be suspended.
 15. A number of joint declarations supplement the TCA. These declarations cover such things as co-operation for financial services, with the EU and UK agreeing to establish a framework for regulatory co-operation; subsidy control in additional trade sectors; the managing of migratory flows, with practical arrangements on asylum and illegal migration to be established; participation in (a limited number of) EU programmes, such as the science and research programme Horizon Europe; and exchange of classified information.
 16. The agreement does not cover matters such as foreign policy, external security and defence cooperation.
 17. The UK no longer adheres to the EU's principle of free movement of people. This means that the UK now decides which EU citizens are permitted to live and work in the country. The decision on who can live and work in the UK will be based on the skills they have to offer, assessed using a points-based system. Points will be awarded for a job at the appropriate skill level, if the applicant speaks English, and for meeting the appropriate salary threshold. Conversely, UK citizens wishing to live and work in an EU country (beyond the

90-day, visa-free period) will require a visa or work permit, as set out in the country's entry requirements.

18. EU, EEA and Swiss citizens residing in the UK before 31 December 2020 have until 30 June 2021 to apply to the EU Settlement Scheme, to receive either settled or pre-settled status, allowing them to continue living and working in the UK. Applicants that have lived in the UK for a continuous 5-year period will usually get settled status, with pre-settled status – and reduced rights – usually given to those that haven't. According to recent data, 47% of applications in Southwark (42% nationally) have resulted in pre-settled status. Those that received pre-settled status can apply to change their status to settled once they have completed 5 years' continuous residence. Pre-settled status is only valid for 5 years and it is not yet clear what would happen if conversion to settled status is unsuccessful and pre-settled status expires.
19. UK residents that were living in an EU country before 1 January 2021 will continue to have broadly the same rights to work, study and access public services and benefits as they did before the UK left the EU.
20. Key areas that are of importance for Southwark as we adjust to our new relationship with the EU:
 - preserving the rights of EU nationals living and working in Southwark prior to 31 December 2020;
 - making the best use of Brexit funding to mitigate its impact on our communities and residents;
 - engaging and supporting our businesses, to help them adjust to the new arrangements;
 - greater clarity on funding arrangements for local government post-Brexit, specifically on the proposed UK Shared Prosperity Fund; and
 - exploring opportunities to further the devolution agenda, for example to ensure the provision of the skills needed in our local economy post-Brexit.
21. Business engagement and support. In December 2020 an update was sent to Southwark businesses reminding them of the need to prepare themselves for the end of the transition period. Businesses were signposted to the government's Brexit checker, where they could receive a tailored list of advice and actions. In addition to this communication, the council's Brexit guidance webpages were updated with the latest information and advice for businesses. Further communications to businesses are planned for 2021.
22. Businesses have been invited to attend the next meeting of the cross-party Brexit panel, scheduled for 28 January 2021. It will be an opportunity to take evidence on how businesses have been impacted by the new EU-UK relationship to date and on further anticipated impacts. This evidence will help inform the council's ongoing business engagement and support.
23. Supporting communities and Brexit funding. The Policy and Resources Strategy 2019-20, approved by cabinet in February 2019, recommended that a £2m risk reserve be set aside to ensure council services are protected from the

impact of Brexit, and a further £300,000 commitment was added to the base budget to cover ongoing operational pressures in the form of a Brexit fund. Ongoing delays to the Brexit process has meant that calls on these funds have yet to be realised. With the transition period concluded, it is timely to look again at use of these funds as demands on our services and in our local communities increase.

24. Officers recently met with Community Southwark to discuss what further work may be required in supporting groups that find it harder to engage with the council and individuals who may be disproportionately affected as a result of Brexit. The two key concerns raised were a potential lack of awareness of the EU Settlement Scheme amongst EU citizens within Southwark's sizeable Latin American community, and the impact of the withdrawal of EU funding across Southwark's Voluntary Community Sector. Intelligence is currently being gathered by Community Southwark who will be invited to present their findings at a future Brexit Panel.
25. Other than those set out above and currently being explored, no immediate pressures have been identified, and the full extent of any impact and subsequent call on these funds from may not be fully known until later in 2021.
26. As part of the remit of the cross-council Brexit Panel, and in response to calls from communities and businesses, officers will actively consider the use of these funds and how they should be prioritised. The outcomes of these discussions and onward recommendations on their use will be made to the Cabinet Member for Jobs, Culture & Skills, as per the recommendation for the Leader of the Council as set out in this report.
27. Brexit and homelessness. Brexit's most immediate potential impacts on homelessness and the experience of homeless people are on the EU nationals who are currently in UK and experiencing homelessness. Whilst it is impossible to predict the precise impacts of Brexit on homelessness, it is possible to identify key factors that will influence how homelessness and the experience of homeless people will be affected by Brexit.
28. In the short term, the key risks and opportunities are around the application process for new immigration statuses, such as settled or pre-settled status through the EU Settlement Scheme; and EU citizens that are sleeping rough with No Recourse to Public Funds. In the medium term, they are around the future immigration system, how the UK Shared Prosperity Fund can support the homelessness agenda, and the impact of Brexit on future domestic housing and homelessness policy. In the long term – and far less certain – are impacts on the economy as a whole and what this will mean for homelessness.
29. Communications and the EU Settlement Scheme. The Council's comprehensive Brexit communications plan continues to ensure our residents are aware of and prepared for any changes that affect them, particularly in relation to the EU settlement scheme. Our communications focus has been on ensuring our EU residents and staff knew they are welcome here and that we want them to stay, and sharing information about the support available to them.

We use all the Council's channels including social media, Southwark Life magazine, local advertising and our website to help increase awareness.

30. Government data published on 27 November 2020 showed that 48,960 Southwark residents had applied to the EU Settlement Scheme, over double the number of applications that had been made by November 2019 (23,620). Segmentation in the data shows us that – as was the case a year ago – the vast majority of residents who have applied in Southwark are aged between 18 and 64 (44,620), with under-18s and over-65s under-represented.
31. In January 2020 it was estimated that there were 41,000 EU citizens in Southwark. The most recent EU Settlement Scheme data shows that the number – 48,960 – is much higher than originally thought, and gives the Council a clearer indication of the proportion of Southwark residents with EU citizenship.
32. As noted above, the communications plan to date has focussed on ensuring our residents feel welcome, and know what to do to remain living and working in the UK. EU citizens who were living in the UK by 31 December 2020 have until 30 June 2021 to apply to the EU Settlement Scheme for either settled or pre-settled status. Therefore, over the next few months we will continue to promote these messages via our channels, go out to our communities with targeted support and advice, and work with the VCS, to ensure we reach our target groups and make it easy for our EU citizens to remain living and working in the UK.
33. Due to the ongoing COVID-19 pandemic and imposed restrictions, our EU Settlement Scheme walk-in service, which helps EU citizens complete their applications, has been suspended. However, whilst we cannot currently provide face-to-face support, our team continues to provide support by email.
34. UK Shared Prosperity Fund. Under the terms of the new arrangement between the EU and UK, the UK will no longer have access to European Structural and Investment funds. However, funding programmes that have already been agreed will be allowed to run until their closure in 2023. The UK government's Shared Prosperity Fund (UKSPF) will in effect replace ESI funds, with the intention to at least match current EU funding receipts.
35. To help local areas prepare for the introduction of the UKSPF, over the course of 2021-22 the Government will provide £220m of funding to local areas to pilot new programmes and approaches. Further details on this will be published in early 2021. After this period, the intention is to increase funding to approximately 1.5bn a year, indicating that the UKSPF will not be fully operational until 2022.
36. Further detail on the UKSPF and its funding profile will be set out in a UK-wide investment framework to be published in spring 2021.
37. Procurement and regulations. The UK leaving the EU has implications for higher-value procurements which would previously be considered EU

procurements. However, existing UK regulations on procurement will continue to apply, and in the short term these implications are likely to be minimal. EU rules will continue to apply to:

- procurement procedures launched before 31 December 2020 and not yet finalised;
 - EU contracts entered into on or before 31 December 2020;
 - future extensions to existing EU contracts; and
 - the award of contracts under frameworks agreed before 31 December 2020, until the framework ends.
38. A key practical change is that any 'over threshold' procurements – that is, where the spending over the lifetime of a contract/framework is the same or greater than the set threshold for the framework/contract type – will no longer be published in the Official Journal of the European Union. Instead, they must be published in the new UK e-notification service called Find a Tender.
39. In a December bulletin sent by the Director of Law and Governance to Director's and senior managers, it was requested that all higher-value and longer-term contracts were reviewed to identify which may be particularly impacted by Brexit.
40. As and when the UK implements new rules, regulations, guidance, case law etc., the contracts team will update the guidance and information provided on the Council's intranet, TheSource.
41. Managing risk. Following cabinet agreement, a Brexit Risk Register was published in February 2020. The Brexit Risk Register sets out the Council's broad areas of concern, and the actions we would take to manage these.
42. Once Brexit became a reality and we entered the transition period, it was appropriate to consider how the council's approach to managing the impact of Brexit evolved to better take into account the opportunities and threats posed by the emerging future relationship with the EU. This focus was sharpened as a result of the COVID-19 pandemic and the huge impact on the local economy, including on our residents, businesses and on the council itself. As a result, the plan to manage the impact of Brexit – as set out in the Brexit Risk register – has been incorporated into the council's broader Economic Renewal Plan. A copy of the Economic Renewal Plan can be found at Appendix 1.
43. Pan-London Brexit governance. It was agreed at a meeting of the London Council's Strategic Coordination Group on 16 September 2020 that, given the timeframe of events, it would be appropriate to incorporate all Brexit contingency planning/response work into the London-wide Strategic Coordination Group, and thus into broader strategic planning and response. All borough Brexit lead officers and local emergency planning units have been made aware of these changes.
44. Locally, council officers continue to meet as part of the Brexit Panel to review the risks associated with Brexit – recently incorporated into the Economic

Renewal Plan– and oversee local planning, feeding up to Chief Officer Team and the Chief Executive.

45. Resident EU nationals and the 2021 London Mayoral elections. Until such a time that there is a change in legislation, resident EU nationals remain eligible to vote in the rescheduled 2021 London Mayoral elections. No changes to the electoral franchise for local elections were introduced during the transition period. Unlike the 2019 European Parliament elections, there are no additional registration forms that resident EU nationals will need to complete in order to cast their ballots in local elections.

Next steps

46. Of paramount importance is the impact of Brexit on our communities and businesses, which will be the focus at a further meeting of the cross-party Brexit Panel on 28 January 2021. We will also continue to push hard in our efforts to promote the EU Settlement Scheme to EU nationals residing in Southwark; explore how we can make best use of the Brexit funding to mitigate the impact of Brexit on our residents, in particular the most vulnerable; explore what opportunities the emerging UK Shared Prosperity Fund, as a replacement for EU funding, presents for Southwark; and gather intelligence on the impact the new trade arrangements are having on our businesses, to inform our ongoing engagement and support.
47. The impact of Brexit on local government funding and the proposed Shared Prosperity Fund also remains an area of significant concern. The short-term certainty provided by the one year settlement, set out in the 2020 Spending Review, is more than outweighed by the risk of the Council being unable to plan more effectively for the medium term across the range of local services it provides. Officers will continue to keep Brexit-related risks under review, especially with regards to these economic and financial risks.

Policy implications

48. Southwark's Council Plan 2020-22 sets out the overall policy framework. The plan considers the progress we have made since we set our 4-year commitments in 2018 and consolidates our ambitions for the next two years. It reflects the significant changes that have affected the borough since 2018, in particular the COVID-19 pandemic, and the new and refreshed priorities the council is adopting in response. Any decisions arising out of the impact of Brexit on local communities will need to be cognisant of the Council Plan and relevant supporting plans and strategies.

Community impact statement

49. The UK's exit from the EU is an issue of national importance and the impact of Brexit locally will be significant. Now that the transition period has concluded, monitoring and assessing the consequences of Brexit will help the Council better understand implications on any particular group or groups of individuals in our community. The Public Sector Equality Duty will be taken into account

when considering any changes to policy arising from the impact of Brexit on Southwark. This will include discussion with the Voluntary and Community Sector partners and with health and social care partners, to identify any vulnerable groups and individuals who may be in particular need of targeted support.

Financial implications

50. The 2019-20 budget setting process included a £2m sum set aside from the London Devolution Reserve to act as a special risk reserve (called: Leaving EU Risk Reserve reference 599 – profit centre CM139) to protect the Council against the negative effects of Brexit. This resource is available for one-off purposes in accordance with council priorities and is expected to fund the various initiatives arising from this report.
51. A further £300k commitment was added to the base budget in cost code CM143/66922 from 2019-20 to cover any operational cost pressures arising from the outcome of the Brexit negotiation on Southwark.
52. There has been no expenditure incurred against these funds so far and it is intended that all related costs in future will be funded from these resources.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

53. This report notes that the transition period came to end on 31 December 2020 and a new Trade and Cooperation Agreement is now in place between the EU and the UK. The report further note progress on ongoing local work in preparing for, and adjusting to the UK's exit from the EU, and agrees that the cross-party Brexit panel should continue to be convened.
54. Local authorities in England have a “general power of competence” in accordance with section 1 Localism Act 2011 meaning that they have power to do any thing that individuals generally may do. Councils also have the power under section 111 Local Government Act 1972 to do anything calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions. The recommendations here relate to actions that the Council should take in the light of the end of the transition period and a new Trade and Cooperation Agreement, and as such are executive decisions covering a range of functions including the general power of competence.
55. The public sector equality duty in section 149 Equality Act 2010 is relevant to this decision. This requires the Council, and the decision, in the exercise of all its functions, to have due regard to the need to:
 - a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Consideration of the community impact statement in paragraph 49 above is relevant to meeting this duty

Strategic Director of Finance and Governance (FC20/027)

- 56. This report is requesting cabinet to note that the transition period came to end at 11pm GMT on 31 December 2020 and that a new Trade and Cooperation Agreement is now in place between the EU and the UK and that the beginning of the UK's new relationship with the EU comes at a time of great uncertainty, with the UK still in the grip of the COVID-19 pandemic and the borough under national lockdown restrictions and to note the progress on ongoing local work in preparing for, and adjusting to, the UK's exit from the EU, and agrees that the cross-party Brexit panel should continue to be convened through 2021 as necessary to continue this work. Full details are contained within the main body of the report.
- 57. This report is also requesting the Leader of the Council to delegate future decisions on the £300,000 Brexit fund to the Cabinet Member for Jobs, Culture and Skills (in consultation with the Strategic Director of Finance and Governance)
- 58. The financial implication section details the resources available to fund the various initiatives and cost pressures in addressing the impact of Brexit on Southwark.
- 59. Staffing and any other costs connected with this report are to be contained within existing departmental revenue budgets.

REASONS FOR URGENCY

- 60. The report is urgent as cabinet requested a further progress report on Brexit impact and preparedness ahead of a further cross-party Brexit panel, which is planned to take place on Thursday 28 January 2021.

REASONS FOR LATENESS

- 61. It has not been possible to circulate this report five clear days in advance of the meeting due to the council having to wait until the conclusion of the EU-UK negotiations to ensure that the report was current and accurate and the time needed to review the local impact.

APPENDICES

No.	Title
Appendix 1	Economic Renewal Plan (version, December 2020)

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

AUDIT TRAIL

Lead Officer	Stephen Gaskell, Director of Response and Renewal	
Report Author	Matthew Rolfe, Strategy Officer	
Version	Final	
Dated	11 January 2021	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	13 January 2021	