

<b>Item No.</b> 18.	<b>Classification:</b> Open	<b>Date:</b> 21 January 2020	<b>Decision Taker:</b> Cabinet
<b>Report title:</b>		Impact of Brexit on Southwark - Progress Report	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Councillor Victoria Mills, Finance, Performance and Brexit	

## **FOREWORD FROM COUNCILLOR VICTORIA MILLS, CABINET MEMBER FOR FINANCE, PERFORMANCE AND BREXIT**

For Southwark, it will be with great sadness that the UK will leave the EU on 31 January 2020. This will be a move against the wishes of the vast majority of our residents and continues to seem in stark contrast to the open-minded and opportunity-embracing spirit with which this borough, its residents, businesses and council have always approached the world.

However, it is the Council's firm belief that we should always approach the next challenge with pragmatism and find and fund the practical solutions our residents need. This report seeks to start our next chapter of planning for the UK's EU Exit and the key priorities for this Council and local government more generally. Rather than wasting time and money on expensive 'bongs' at midnight, we want to preserve the rights of EU nationals living and working in Southwark, ensure a trading relationship with the EU that does not negatively impact Southwark businesses, gain urgent clarity on the proposed Shared Prosperity Fund and ensure local government's voice is heard and properly reflected on any review of EU laws on procurement and work place rights. We also want to make sure that not only is government planning for the skills needed in the economy post-Brexit but that they are devolving real powers to councils to deliver quality provision in each and every local economy.

The Southwark Brexit Panel will meet on 4 February 2020 to not only consider this report and risk-register but also to discuss how best we continue to communicate and support residents through the Settled Status process. It will also consider the council's role in ensuring our many and diverse communities continue to feel welcome, wanted and at home in Southwark.

After 47 years of peace and prosperity, we have much to thank and celebrate the EU for. It is this council's determination that we will continue to embrace cooperation, consensus and solidarity across all communities, whether they are on our doorstep or much further away.

## **RECOMMENDATIONS**

### **Recommendations for the Cabinet**

That cabinet:

1. Note the passage of the EU Withdrawal Bill and that the UK will leave the EU on 31 January 2020 and commence the 11-month transition period.

2. Note progress on ongoing local work in preparing for EU exit and agrees the latest Brexit Risk Register for publication as set out in Appendix 1, and instructs officers to continue to keep the register under monthly review.
3. Agrees that the cross-party Brexit panel be reconvened for 4 February 2020, in the light of latest information available on EU exit.

### **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 finance, performance and Brexit in consultation with the strategic director of finance and governance.

### **BACKGROUND INFORMATION**

5. On 23 June 2016 the UK voted in the EU referendum on whether the UK should 'remain' in or 'leave' the EU. Nationally, 52% of those that took part in the referendum voted to leave the EU. In Southwark over 72% of the residents who took part in the referendum voted to remain in the EU. Southwark is home to 41,000 non-Irish EU citizens, whose status in the UK following the departure from the EU is unclear. Providing certainty to those citizens and ensuring their rights are protected is a priority for the Council.
6. As a result of triggering Article 50 of the Lisbon Treaty (i.e. the process of withdrawal by the UK from the EU) in March 2017, the deadline for the UK to leave the EU was 29 March 2019. Following a series of parliamentary votes (including three rejections of the government's "meaningful vote" on the terms of the withdrawal agreement) the deadline for EU exit was first extended by the EU to 12 April 2019. On 11 April 2019, the UK and the EU27 then agreed to grant a flexible extension of the Article 50 period for six months to 31 October 2019. Following further votes in Parliament and discussion between the UK government and the EU27 a further 'flexible' extension to the Article 50 period was granted to 31 January 2020.
7. Regular reports have been presented to Cabinet since January 2019 setting out the steps that the Council is taking more generally to prepare for the impact of the UK leaving the EU on the borough and our residents. Also in July 2019, a meeting of the cross-party Brexit Panel took place to discuss and help inform local Brexit planning.
8. In December 2019, a general election resulted in a majority Conservative government. There quickly followed a Queen's Speech which reaffirmed the Government's position to withdrawing the UK from EU membership by 31 January 2019. On 19 December, Parliament passed the second reading of the EU Withdrawal Bill which sets out the arrangements for the UK's withdrawal from the EU. The bill passed the third reading in Parliament on 9 January 2020.
9. This report now provides a further brief update.

### **KEY ISSUES FOR CONSIDERATION**

10. Following the dissolution of Parliament on 6 November 2019, the General Election of 12 December 2019 produced a Conservative majority in Parliament of 80 seats. The Conservatives fought the election seeking a mandate to 'Get Brexit Done', and with a

clear majority in the House of Commons, there can now be little doubt that the UK will now exit the European Union on 31 January 2020.

11. The Queen's Speech of 19 December confirmed the Government's commitment to a 31 January 2020 withdrawal from the EU. In addition, the Government set out its plans for an overhaul of immigration, with a proposed introduction of a points-based system and the end to the free movement of people within the EU. The Government also announced its intention to close down the Department for Exiting the European Union (DExEU) on 31 January.
12. On 20 December, Parliament passed the second reading of the EU Withdrawal Bill which sets out the arrangements for the UK's withdrawal from the EU. The Bill passed its third reading in the House of Commons on 9 January 2020. Key changes were made to the Bill from the October 2019 version, including:
  - the removal of clauses requiring Parliamentary approval for the future relationship to be agreed with the EU
  - a new clause has been inserted that prohibits any extension to the transition period
  - the removal of clauses promising additional protection for workers' rights
  - removal of clauses on legal protections for refugee children seeking to be reunited with family members in the UK, which will be dealt with under separate legislation.
13. A core part of the Withdrawal Agreement with the EU is that there shall be a "transition or implementation period". The purpose of the transition is to enable negotiations to take place to determine what the future relationship will look like, including agreement of a future trade deal. This period begins when the UK leaves the EU and ends on 31 December 2020. During the transition period, the UK will continue to follow most of EU law the same way as it does now. However, it will no longer have representation and voting rights in the EU institutions. By prohibiting any extension to the transition period in the Withdrawal Agreement Bill, a no deal Brexit might again become a reality if a future trade deal is not agreed before 31 December 2020.
14. However, the Government is confident that a new deal will be agreed. On 24 December 2019 all local authorities in England were notified by the Ministry for Housing, Communities and Local Government (MHCLG) that Operation Yellowhammer, the cross-government civil contingency planning for the possibility of a "no-deal" Brexit, had been halted with immediate effect.
15. Preparing for the future relationship with the EU. As we enter the transition period, and negotiations commence on the nature of the future relationship between the UK and the EU, it is right that local government continues to campaign tirelessly for a Brexit that does not negatively impact our local communities.
16. Key areas that will continue to be of critical importance for Southwark as we enter the transition period and negotiate a future relationship with the EU include:
  - Preserving the rights of EU nationals living and working in Southwark
  - Avoiding a 'no deal' Brexit and ensuring a trading relationship with the EU that does not negatively impact Southwark businesses
  - Greater clarity on funding arrangements for local government post-Brexit and specifically on the proposed Shared Prosperity Fund
  - Ensuring local government views are taken into account in the review of relevant EU laws, for example on procurement and work place rights

- Exploring opportunities to further the devolution agenda, for example to ensure the provision of the skills needed in our local economy post-Brexit.
17. Managing risk. Following cabinet agreement, a Brexit Risk Register was published and continues to be updated monthly. The latest version is attached at Appendix 1. Southwark's primary responsibility is continuing to provide local services and minimising the impact of disruption on services to residents, businesses and the borough as a whole. The Council regularly reviews its emergency planning and business continuity arrangements, and this review takes account of possible Brexit impact.
  18. As Brexit becomes a reality and we enter the transition period, it will be appropriate to consider how the Brexit Risk Register evolves to better take into account the opportunities and threats posed by the emerging future relationship with the EU. Opportunities in particular should be explored together with an assessment of the Council's ability to capitalise on them.
  19. 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 date has meant that calls on these funds have yet to be realised. However, now the UK's exit from the EU is imminent, it is timely to consider prioritisation of these funds as determined by potential demands on our services and in our local communities.
  20. Officers have already met with senior representatives from Community Southwark to discuss what further work may be required in supporting harder to reach groups and individuals who may be disproportionately affected as a result of Brexit impact. However, no immediate pressures have been identified and the full extent of any impact and subsequent call on these funds may not be fully known until after the exit date and well in to the transition period.
  21. As part of the remit of the cross-council Brexit Project Board, officers are now actively considering the use of these funds and how they might be prioritised. The outcomes of these discussion and onward recommendations on their use will be made to the Cabinet Member for Finance, Performance and Brexit.
  22. Communications and the EU settlement scheme. During 2018 the Council implemented a comprehensive Brexit communications plan to ensure our residents were aware of and prepared for any changes that affect them, particularly in relation to the EU settlement scheme. Our communications focused on ensuring our EU residents and staff know they are welcome here and that we want them to stay, and sharing information about the support available to them. We used all the Council's channels including social media, Southwark Life magazine, local advertising and our website to help increase awareness. Our EU settled status web page received 50,000 page views, and we saw excellent take up of the registrar's free EU settled status support service.
  23. Government data published last year showed an increase in awareness about the scheme, and action being taken. The number of Southwark residents who had applied for EU settled status almost doubled, with the number increasing from 12,680 to 23,620 between June and November. We estimate there are 41,000 EU citizens in Southwark and our proportion of those registered is similar to other London boroughs. Useful new segmentation in the data shows us that the vast majority of residents who

have applied in Southwark are aged between 18 and 64. Under-18s and over-65s are under-represented. Whilst we do not hold data on the exact number and ages of our EU citizens, this low representation suggests targeted communications to these age groups would be a sensible use of resources.

24. Our updated communications plan reflects the above, and includes a renewed focus on ensuring our residents feel welcome, and know what to do to stay. 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 people to apply for settled status.
25. EU Exit preparedness. Following passage of the Withdrawal Bill, and as a result of the decision to halt Operation Yellowhammer, the contingency arrangements operating under the auspices of the London Resilience Forum have also been stood down for the time being. MHCLG will continue to co-ordinate any communications and information during the implementation period. The group of nine regional leads, including the London representative John O'Brien of London Councils, will continue to meet regularly with officials during the implementation period.
26. It is expected that one increasing area of focus of discussion amongst the regional leads will be on potential economic impacts on local areas of EU Exit. The group has discussed proposals for impact monitoring and boroughs have been told to expect a refined economic impact monitoring proposition in due course.
27. Locally, council officers continue to meet as part of the Brexit Project Board to review the risk register and oversee local planning, feeding up to Chief Officer Team and the Chief Executive.
28. Resident EU nationals and the 2020 London Mayoral elections. Until such a time that there is a change in legislation, resident EU nationals remain eligible to vote in the 2020 London Mayoral elections. There is currently no indication that changes to the electoral franchise for local elections are to be 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**

29. In the light of the passage of the EU Withdrawal Bill and the likelihood of the UK's exit from the EU on 31 January 2019, it remains critical that Southwark continues to prepare for the impact of Brexit. As reflected in our cross-council approach to Brexit and onward representation to government, the Council has maintained that there are broader risks attached to Brexit that go beyond mitigating short term business continuity impacts.
30. Of paramount importance is the impact of Brexit on our communities, which will be the focus at a further meeting of the cross-party Brexit Panel to be convened in early February 2020. We will also continue to push hard in our efforts to promote the EU Settlement Scheme to EU nationals residing in Southwark and explore how we can make best use of the Brexit funding to mitigate the impact of Brexit on our residents, and in particular the most vulnerable.
31. The impact of Brexit on local government funding also remains an area of significant concern. The short-term certainty provided by the one year settlement 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 the risk register under review especially with regards these economic and financial risks. We will also seek clarity on funding arrangements for local Government post Brexit and specifically on the proposed Shared Prosperity Fund as the successor to EU structural funds.

### **Policy implications**

32. The Council Plan 2018-22 sets out the overall policy framework. This plan describes the commitments, measures and milestones to achieve the Council vision of a fairer future for all. It was adopted by Council Assembly in November 2018 and provides a council wide plan for delivery across all services to 2022. 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**

33. The UK's exit from the EU is an issue of national importance and the impact of Brexit locally will be significant. As we get closer to the proposed date of UK withdrawal from the EU of 31 January 2020, assessing and preparing for the potential 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**

34. The 2019-20 budget setting process included a £2m sum set aside from the London Devolution Reserve to act as a special risk reserve 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.
35. A further £300,000 commitment was added to the base budget from 2019-20 to cover any operational cost pressures arising from the outcome of the Brexit negotiation on Southwark.
36. There has been no expenditure incurred against these funds so far and all related costs in future will be funded from these resources.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Law and Democracy**

37. This report notes progress on ongoing local work in preparing for EU exit. 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 referendum decision for the UK to leave the EU, and as such are executive decisions covering a range of functions including the general power of competence. 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.

38. Consideration of the community impact statement above is relevant to meeting this duty.

### **Strategic Director of Finance and Governance (FC19/030)**

39. This report is requesting cabinet to note that it is extremely likely that the UK will leave the EU on 31 January 2020 and commence the 11 month transition period and also note the ongoing local work in preparing for EU exit. Full details are contained within the main body of the report.

40. The financial implication section details the resources available to fund the various initiatives and cost pressures in addressing the impact of BREXIT on Southwark.

41. Staffing and any other costs connected with this report to be contained within existing departmental revenue budgets with this report to be contained within existing departmental revenue budgets.

### **REASONS FOR URGENCY**

42. 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 in the coming months (specific date subject to confirmation at time of writing).

### **REASONS FOR LATENESS**

43. The report is late so officers can take account of the most up to date information pertaining to the negotiating position between the UK and the EU, where relevant and to ensure cabinet are informed of the most up to date information with regards level of local preparedness.

### **APPENDICES**

No.	Title
Appendix 1	Southwark Council Brexit Risk Register (version, January 2020)

### **BACKGROUND DOCUMENTS**

Background Papers	Held At	Contact
None		

## AUDIT TRAIL

<b>Cabinet member</b>	Councillor Victoria Mills, Finance, Performance and Brexit	
<b>Lead Officer</b>	Eleanor Kelly, Chief Executive	
<b>Report Author</b>	Stephen Gaskell, Head of Chief Executive's Office	
<b>Version</b>	Final	
<b>Dated</b>	17 January 2020	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		17 January 2020