

Item No. 5.	Classification: Open	Date: 28 January 2021	Decision Taker: Southwark Brexit Panel
Report title:		Brexit Update	
Ward(s) or groups affected:		All	
From:		Councillor Stephanie Cryan, Cabinet Member for Jobs, Culture & Skills	

RECOMMENDATION

1. That the Southwark Brexit Panel note the report.

BACKGROUND INFORMATION

2. The purpose of this report is to provide an update to the Southwark Brexit Panel on the latest information relating to Brexit and its impact on Southwark.
3. The work of the Southwark Brexit Panel to date can be found here: <http://moderngov.southwark.gov.uk/ieListMeetings.aspx?Committeeld=475>.
4. 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. 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.
5. 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.
6. 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.

7. 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.

KEY ISSUES FOR CONSIDERATION

Our new relationship with the EU

8. The TCA covers our future relationship with the EU and is made up of three pillars:
 - I. A Free Trade Agreement (FTA), covering our economic and social partnership with the EU.
 - II. A framework for cooperation between law enforcement and judicial authorities.
 - III. An overarching governance arrangement.
9. 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.
10. The framework enables continued cooperation between EU and UK national police and judicial authorities. Close cooperation has been maintained in this area.
 11. 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.
 12. 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.
 13. The agreement does not cover matters such as foreign policy, external security and defence cooperation.

14. 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.
15. 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.
16. 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.
17. 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.
 - Exploring opportunities to further the devolution agenda, for example to ensure the provision of the skills needed in our local economy post-Brexit.

Business impact, engagement and support

18. In December 2020, an update was sent to Southwark businesses reminding them of the need to prepare for the end of the transition period. Businesses were signposted to the government's Brexit checker, where they would receive a tailored list of advice and actions. In addition, the council's Brexit guidance webpages were updated with the latest information and advice for businesses. Further communications to businesses are planned for 2021.
19. Businesses have been invited to attend this meeting of the cross-party Brexit panel. It will be an opportunity to take evidence on how businesses have been impacted by the new EU-UK relationship to date and on future anticipated impacts. This will help inform the council's ongoing business engagement and support.
20. Through our engagement with key business networks including the Southwark Business Forum (which met on 14 January 2021) and the BIDs, businesses are informing us locally that as a result of the Covid-19 pandemic and the third national lockdown, the priority for businesses is on dealing with the impact of the pandemic and managing immediate financial hardship. As a result, many businesses tell us they are less focused on the potential impact of Brexit than they may otherwise have been. This may change in the coming months as London starts to emerge from the third wave of the pandemic and the impact of the TCA begins to be felt.

Supporting communities and Brexit funding

21. 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.
22. 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.
23. 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.

24. 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 the EU Settlement Scheme 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.
25. Due to the ongoing COVID-19 pandemic our EU Settlement Scheme walk-in service, which helps EU citizens complete their applications, has been suspended since March 2020. Whilst it is not possible to provide face-to-face support, our team continues to provide support by email.
26. In December 2020 officers met (virtually) 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 (1) a potential lack of awareness of the EU Settlement Scheme amongst EU citizens within Southwark's sizeable Latin American community, and (2) the impact of the withdrawal of EU funding across Southwark's Voluntary Community Sector (VCS).
27. It was agreed that Community Southwark would conduct a survey on our behalf, exploring the impact of Brexit on Southwark-based VCS groups and those who rely on their services. Take-up was low, with only nine VCS groups responding to the survey, which was likely down to the time of year and more pressing concerns (e.g. COVID-19). A working group has been established to address the issues raised, including what can be done to address the funding gap that groups reliant on Home Office funding to provide EUSS support will face between end of March 2021 and end of June 2021.
28. 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.
29. On 19 January 2020 the Leader of the Council approved the delegation of 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).

30. 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.

Brexit and homelessness

31. 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.
32. 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.

UK Shared Prosperity Fund

33. Under the terms of the new arrangement between the EU and UK, the UK will no longer have access to European Structural and Investment (ESI) funds (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) is to be the UK's successor to ESI funds, with the intention to at least match EU funding levels.
34. 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 pilot new programmes and approaches. Further details on this preparatory period will be published in early 2021. The intention is to then increase funding to approximately 1.5bn a year, indicating that the UKSPF is unlikely to be fully operational until 2022.
35. The UKSPF will be split into two portions. The first will target places deemed most in need of funding, such as ex-industrial areas, deprived towns and rural and coastal communities. The other will be targeted at specific cohorts of people deemed most in need, through employment and skills programmes tailored to local needs.

36. It is expected that:
- Recipients of funding will have to target specific outcomes that will be set out in the UKSPF framework.
 - Recipients' investment proposals will have to be approved by the government and a wider, representative stakeholder group.
 - Any investment must align with the government's clean growth and net zero objectives.
37. The UKSPF will be jointly delivered by the Ministry of Housing, Communities and Local Government (MHCLG) and the Department for Work and Pensions (DWP).
38. 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.

Local services and procurement

39. 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.
 - The award of contracts under frameworks agreed before 31 December 2020, until the framework ends.
40. 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.
41. In a December 2020 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.
42. 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.

Managing risk

43. 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 has been incorporated into the council's broader Economic Renewal Plan.
44. A copy of the Economic Renewal Plan, which has been updated since the last meeting of the Brexit Panel, can be found at Appendix 1.

Pan-London Brexit governance

45. It was agreed at a meeting of the London Council's Strategic Coordination Group on 16 September 2020 that 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.

Resident EU nationals and the 2021 London Mayoral and local elections

46. 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

47. Of paramount importance is the impact of Brexit on our communities and businesses, so we will:
 - Continue to push hard in our efforts to promote the EU Settlement Scheme to EU nationals living in Southwark.
 - Explore how we can make best use of the Brexit funding to mitigate the impact of Brexit on our communities and individuals, in particular the most vulnerable. This will be steered initially by the intelligence recently gathered by Community Southwark.
 - Explore what opportunities the emerging UK Shared Prosperity Fund as the UK's successor to EU funding presents for Southwark.

- Informed by evidence, explore how current, emerging and anticipated impacts on our businesses can be mitigated. This will shape our ongoing business engagement and support.

48. 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.

APPENDICES

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

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Economic Renewal Plan	Chief Executive Office 160 Tooley Street London, SE1 2QH	Danny Edwards 020 7525 5105
Link: https://www.southwark.gov.uk/business/economic-renewal-plan		

AUDIT TRAIL

Lead Officer	Eleanor Kelly, Chief Executive	
Report Author	Matthew Rolfe, Strategy Officer	
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CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
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Director of Law and Governance	No	No
Strategic Director of Finance and Governance	No	No
Cabinet Member	Yes	Yes
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