

# Cabinet Supplementary Agenda



**6. Review of the Capital Programme (Postponed)**

Cabinet Member: Cabinet Member for Croydon Renewal,  
Councillor Stuart King

Officer: Executive Director Resources, Jacqueline Harris Baker

Key decision: no

*Please note this report will be taken to the January 2021 meetings  
of Cabinet and Council.*

**7. Brexit - Planning for the future (Pages 3 - 26)**

Cabinet Member: Leader of the Council, Councillor Hamida Ali

Officer: Interim Chief Executive, Katherine Kerswell

Key decision: no

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# Agenda Item 7

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| <b>REPORT TO:</b>      | <b>CABINET 14 December 2020</b>  |
| <b>SUBJECT:</b>        | <b>Brexit – Planning for the Future</b>  |
| <b>LEAD OFFICER:</b>   | <b>Katherine Kerswell, Chief Executive<br/>Stephen Tate, Director of Growth, Employment and<br/>Regeneration</b> |
| <b>CABINET MEMBER:</b> | <b>Councillor Hamida Ali, Leader of the Council</b>  |
| <b>WARDS:</b>          | <b>All</b>   |

## **CORPORATE PRIORITY/POLICY CONTEXT/ AMBITIOUS FOR CROYDON**

On the 31<sup>st</sup> January 2020 the United Kingdom withdrew from the European Union. Under the terms of the Withdrawal Agreement, the United Kingdom entered the transition period that is due to end on the 31<sup>st</sup> December 2020. This period allows the UK to continue its current relationship with the EU while the future trading relationship and security co-operation is negotiated.

The exit from the European Union has major implications for local authorities in terms of their budgets, local economies, regulatory framework and community cohesion.

‘No-deal’ on the UK’s future relationship with the EU remains a distinct possibility as the transition date for leaving the European Union approaches. It would still leave the Withdrawal Agreement in place: citizen’s rights would be protected, but the UK would trade with the EU on World Trade Organisation terms, as well as having to rely on previous international conventions for security co-operation. ‘No-deal’ could potentially exacerbate the impact on the borough at a time of great economic challenge due to the impact of coronavirus.

Amid this uncertainty this report sets out some of the issues and Croydon’s approach to mitigate the impact and safeguard the Council’s ability to deliver its plans for growth, opportunity, to enable people to live healthy and independent lives, and to advance fairness for all.

## **FINANCIAL IMPACT**

The ending of the transition period on the 31<sup>st</sup> December 2020 brings continued financial uncertainty for the Council, as well as the UK as a whole. The economy is already in a state of severe economic crisis due to the impact of Covid 19 and the Council is experiencing a financial crisis that has led it to issue a section 114 notice.

Whilst the exact impact cannot be estimated at this point, sound financial management requires consideration and preparation for a range of consequences.

**FORWARD PLAN KEY DECISION REFERENCE NO.:** This is not a key decision.

## **1. RECOMMENDATIONS**

The Cabinet is recommended to:

- 1.1. Note the potential impact and responses to Brexit in Croydon, as set out in the report.
- 1.2. Endorse the statement that 'Croydon is open' for business and that everyone in our diverse communities is welcome.
- 1.3. Ensure businesses are aware of the EU citizens' rights to residency and employment as they are confirmed and support businesses' access to advice and guidance.
- 1.4. Agree that regular updates be provided to all councillors and relevant stakeholders for each of the key categories outlined in the report.
- 1.5. Continue to support the Mayor of London's #LondonIsOpen campaign.

## **2. EXECUTIVE SUMMARY**

- 2.1 The departure of the United Kingdom's exit from the European Union on 31 January 2020 has major implications for local authorities in terms of their budgets, local economies, regulatory framework and community cohesion. On that date the UK entered a transition period which allows the UK to continue its current relationship with the EU while the future trading relationship and security co-operation is negotiated. This transition period expires on 31 December 2020.
- 2.2 Although negotiations between the UK and EU continue, 'no-deal' remains a significant possibility as the end of the transition period approaches, with its associated impact on the terms of trade and movement of people and goods between the United Kingdom and the European Union. Amid this uncertainty this report sets out some of the issues.
- 2.3 The report summarises the potential impact of the end of the transition period with a focus on a no-deal scenario, the actions being taken by the Council, further plans, and options for further action.
- 2.4 In many cases it is difficult to provide financial analysis due to the uncertainty. Therefore a key action across all activities is to continue monitoring the progress of negotiations and work with the Local Government Association and London Councils to ensure our concerns are shared effectively with Government and lobby for effective responses.
- 2.5 The Council will only be able to respond effectively to the challenges posed by Brexit through working closely with its partners in the Local Strategic Partnership, its providers, local businesses, business representative

organisations i.e. Business Improvement Districts, Federation of Small Businesses, London Chamber of Commerce and the Voluntary and Community Sector (VCS).

### **3. BACKGROUND**

3.1 The expiry of the transitional period, combined with the economic and social crisis created by Covid-19, could have significant implications for Croydon in terms of the local economy, workforce and skills, community cohesion, demand for public services and the Council's finances and regulatory framework. There is great uncertainty over the scale of the impact, not least because negotiations with the European Union continue to be ongoing and there are a range of different scenarios that could occur.

#### **EU Transitional Exit Process and Negotiations**

3.2 The UK left the EU on the 31<sup>st</sup> January 2020. An eleven month transitional period then commenced which ends on the 31<sup>st</sup> December 2020. Three possible scenarios remain:

- a deal is reached on a future trade agreement and relationship between the UK and EU;
- it is agreed that a future trade deal cannot be reached at this time but both parties agree to implement the withdrawal agreement and deal with matters such as GDPR as well as personnel aspects; or
- the UK leaves the EU with a hard no deal on trade and no way to properly implement the withdrawal agreement.

3.3 The negotiations between the UK and EU have been ongoing since the withdrawal agreement was enshrined in international law 31<sup>st</sup> January 2020. If the UK and EU cannot reach a deal in their negotiations then, once the transition period ends on the 31<sup>st</sup> December, World Trade Organisation rules will apply.

3.4 For the purposes of this report we have assumed a 'no-deal' scenario, recognising that this would present the most change, and therefore greater uncertainty and risk. Any scenario where the future relationship is agreed would result in less uncertainty and risk.

#### **Risk Management and Action Plan**

3.5 The Council maintains and regularly reviews a risk register which is overseen by an internal Brexit Working Group. The aim of the Brexit Working Group is to:

- Set, direct, and monitor the council's response to Brexit
- Be accountable to the council's executive leadership team - highlight potential risks
- Ensure alignment to the wider strategic vision
- Produce recommendations and clear actions.

This ensures that the Council is monitoring and planning for potential issues that may impact on its ability to deliver services, financial position or reputation.

3.6 The risk register provides a useful summary of the issues that the Council needs to consider. Whilst it recognises that the results of the Brexit negotiations are beyond its control, the Council will need to react to the issues that arise and the following potential impacts are identified:

- Uncertainties about the residency rights of current EU citizens in Croydon could cause community tensions.
- Wider uncertainties about the UK's economy and trade arrangements could potentially impact development plans and inward investment that are vital for the borough's regeneration.
- The Council has received funding for a number of initiatives from the EU with some of these part way through delivery. While funding for existing projects is assured, it is unclear how much, if any, funding will be allocated to Croydon initiatives by the forthcoming UK Shared Priority Fund, which will replace European Structural and Investment Funds.
- The UK economic performance will impact local authority budgets and grants. Currently there are unknowns about whether further grant cuts will be imposed and how Croydon's budget may be affected.
- Croydon's business rates income could be impacted by any loss of confidence in investment in the UK economy.

3.7 Whilst the risk register recognises that the results of the UK's negotiations with the EU and terms of any deal are beyond the Council's control, action is being taken to protect the residents and businesses of the borough of Croydon and the Council from any negative impact, and maximise any benefits. The remainder of this report will outline these actions and consider further actions that could be taken.

3.8 The following sections summarise the potential impact of no agreement on the UK's future relationship with the EU on the borough of Croydon and subsequently the Council, outlining the actions being taken and identify further actions that could be considered.

## **4. POTENTIAL IMPACT ON THE ECONOMY**

### **NATIONAL**

4.1 In September 2020 the UK in a Changing in Europe Think Tank suggested that failure to reach an agreement with the EU could hit Britain's economy three times harder in the longer term than the coronavirus pandemic. A report by the organisation, based on modelling with the London School of Economics, said the impacts of coronavirus may mitigate or obscure the impact of no-deal. The total cost to the UK economy of no-deal over the longer term will be two to three times as large as that implied by the Bank of England's forecast for the impact of Covid-19.

4.2 LSE modelling puts the long-term economic hit from a no trade deal at 8% of GDP, similar to that of the government's own forecast in 2018 of 7.6%, which

amounts to £160bn at today's prices, or £2,400 per person. This compares with the Bank of England's latest forecast of the impact of Covid, which shows a reduction of 1.7% of GDP to the economy up to 2022. This amounts to £40bn, or £600 per person, and is dwarfed by cost of no-deal, which will have an impact on GDP for years to come.

## **LONDON AND THE CROYDON ECONOMY**

- 4.3 GLA Economic's report, 'The Economic Impact of Brexit on London' (October 2019), summarised the evidence on the economic impacts of Brexit on the London and UK economies and found that:
- The loss to the UK economy from the anticipation of Brexit has been estimated at close to 3%, and the losses to the UK of a no deal Brexit have been estimated at between 3 and 10% of GDP;
  - Productivity growth was likely to be lower than if there had not been an EU Referendum, and is likely to feed through to lower wage growth (after inflation); and
  - The sterling-euro exchange rate fell by 11% in June 2016 after the EU Referendum, and a further 4% in July 2019. The effects of tariffs from a no deal Brexit might increase prices by 5.0%
- 4.4 The GLA's 'Preparing for Brexit' report (January 2018) cited the Cambridge Econometrics model which suggested that the more abrupt the UK's exit from the EU, the greater the negative impact on the London Economy, ranging from a loss of between 0.8% and 2.1% in Gross Value Added by 2030. The impact in terms of growth, employment and productivity in Croydon would appear to be less than the London average. Comparing the impact on growth to 2030 in the South London Partnership area which includes Croydon, against 'no Brexit', it suggested a loss of 1.6% in Gross Value Added and 1.3% reduction in employment if the outcome was a 2 year transition followed by no membership of the Single Market or Customs Union and falling back to World Trade Organisation (WTO) rules. The report was completed prior to Covid 19, with an economy already in crisis the effects of no trade deal could be veiled but would still be felt going forward.
- 4.5 London Chamber of Commerce and the Croydon's Small Business Commission reported that uncertainty over the UK's future trading relationship with the EU was a factor in reducing confidence and slowing investment. Businesses in Croydon may be impacted by higher interest rates, inflation and banking delays (set out more fully at Section 8 below), as well as higher tariffs on imports from the European Union on food, clothing, construction materials, car and transport equipment and paper. Additional customs and border controls may cause delays, which may affect 'just-in-time' deliveries and perishables. Businesses who attended Croydon Council's Brexit Conference in February 2020 also shared the concerns of the London Chamber and Federation of Small Business members.

- 4.6 Any reduction in economic growth is likely to impact on household budgets, which could subsequently cause a reduction in spending in the retail and hospitality sectors.
- 4.7 The Council response to mitigating the impact on the local economy and the Council's internal services is outlined in **appendix A**. The activity supporting the local businesses community included facilitating a Brexit Conference. All activity was recognised by London Councils and the Federation of Small Businesses when in May 2019 Croydon Council won the Small Business Friendly Borough 2019/2020.

## 5. POTENTIAL IMPACT ON WORKFORCE AND EMPLOYMENT

- 5.1 The Council values the important contribution EU citizens make to the work of the Council, its partners, providers and key sectors of Croydon's economy.
- 5.2 London-wide data shows that the percentage of EU citizens in the construction industry, retail, healthcare and social work, education, accommodation & food and technology is high. All of these are important for the local economy in Croydon. This suggests that these key sectors all face significant risks of skills shortages.

**Table A: Percentage of jobs filled by non-UK EEA nationals**

| Sector                              | Number of jobs in Croydon by sector | % of all Croydon jobs by sector | % of all London jobs filled by non-UK EEA nationals |
|-------------------------------------|-------------------------------------|---------------------------------|---|
| Retail                              | 15,000                              | 12.2%                           | 14%   |
| Human health and social work        | 16,000                              | 13.0%                           | 11%   |
| Education                           | 12,000                              | 9.8%                            | 10%   |
| Professional, Scientific, Technical | 10,000                              | 8.1%                            | 13%   |
| Accommodation and food              | 7,000                               | 5.7%                            | 27%   |
| Construction                        | 8,000                               | 6.5%                            | 30%   |

Source: NOMIS employee jobs 2019 and GLA.

- 5.3 Table A demonstrates that these six sectors still account for 68,000 jobs in Croydon. If the proportion of employees is similar to the whole of London, there are circa 11,500 non-UK EEA nationals employed in these sectors alone across Croydon. **It is important to note that Covid 19 will have had a severe impact on the above figures especially in the accommodation, food, retail and construction sectors.**
- 5.4 Feedback from construction companies demonstrates concerns about the skills gaps through loss of the EU workforce and increased costs and delays in supplying building materials. This would impact on regeneration projects in Croydon including the infrastructure, retail and housing development plans, repair and improvement works on council homes and the schools expansion programme.

5.5 56 Council employees (1.5% of the workforce) are listed as EU nationals including 14 social workers. In addition, only 61% of staff declare their nationality, disclosure of this information by existing employees is voluntary, so these figures are likely to be underestimates. The Council is in the process of assessing the reliance on EU nationals by the many contractors and providers that deliver council services. Many roles could be filled again; however social care workers would be more challenging to replace.

### **Health & Social Care Implications**

5.6 The impact on the health and social care sector if unmitigated has the potential to cause severe disruption. The NHS is currently facing shortages, particularly in nursing, midwifery and health; therefore, any negative impact from Brexit will exacerbate this issue. A Department of Health and Social Care report has outlined the potential impact of not enabling EU workers to work in the UK Social Care sector post-Brexit. The report warns that in a worst case scenario, there could be a shortage of 6,000 doctors, 12,000 nurses and 28,000 care staff. The Government has announced that doctors and nurses are to be exempt from the cap on skilled workers, but this does not address the shortage of care staff.

5.7 In Croydon the size of the social care market is significant, with 140 care homes accommodating over 3,500 beds, and 50 domiciliary care providers. The local sector is already under strain due to cost and staffing and the effects of Covid 19. An estimated 11% of workers in the sector are EEA nationals. The figures in Table A suggest that over 1,600 health and social care roles in Croydon are held by EEA nationals. Brexit has the potential to significantly worsen this staff shortage as, given the turnover, recruitment is essential.

5.8 Our response must therefore be two-fold:

- Supporting partners and stakeholders to retain existing EU employees through providing reassurance, directly and through their employers, and enabling them to retain their residence and employment rights through the EU Settlement Scheme (see paragraph 6.9), and
- supporting the skilling up of the local workforce to replace those EU workers who leave.

Our full response is outlined in Appendix A

### **Retention of existing EU employees**

5.9 In June 2018, the Government announced an EU Settlement Scheme to enable EU citizens to acquire settled status (indefinite leave to remain) or pre-settled status (limited leave to remain) and continue their lives in the UK with the same entitlements as now to work, study and access public services and benefits, according to current rules. The Withdrawal Agreement states that workers and self-employed persons will be guaranteed broadly the same rights as they currently enjoy.

- 5.10 On the 31st December 2020, freedom of movement between the United Kingdom and European Union will end. In its place, the UK government's planned points-based immigration system will come into force. This will not distinguish between EU and non-EU nationals, and is designed to attract people who can contribute to the UK's economy regardless of their place of origin.

### **Recruitment**

- 5.11 With regard to recruitment, there has already been a fall in job applications from other EU countries. The proposed points system will directly affect the important local sectors of construction, hospitality, catering, health, social care and retail.
- 5.12 Following the end of the freedom of movement on 31 January 2020, a points based immigration system has been introduced. Several key roles in the local economy have been classed as 'low skilled occupations' and are paid below the Home Office income threshold. This is leaving significant workforce gaps in the health and social care, construction, manual labour and cleaning (vital in the Covid environment) sectors. It is therefore vital to upskill the existing Croydon workforce and enable residents to enter the workforce to access job opportunities in these sectors.

## **6 IMPACT ON COUNCIL FINANCE AND PROCUREMENT**

- 6.1 No agreement on a future trading relationship with the EU would pose a number of fundamental, wide-ranging and complex challenges for the Council's finances at a time when they are already challenged by the impact of Covid 19 and a substantial budget deficit is forecast for 2020/21. It is difficult to predict the long-term impact that this would have but the Council's work to reduce its deficit will in turn reduce the resources available across its functions.
- 6.2 The Bank of England has stated that they believe inflation is likely to increase due to a fall in the value of Sterling, the impact of tariffs, supply chain concerns and labour shortages. This would increase costs for the council wage bill, supplies and services. Payments to providers rise in line with the Consumer Price Index (CPI). As the Council Pension is pegged to CPI, employer pension contributions would increase in the medium term.
- 6.3 The Council has a loan facility from the European Investment Bank for £102m for the schools expansion programme. The commercial arrangements are expected to continue unaffected but this should be monitored through the Council's risk register.
- 6.4 The Pension Fund investment portfolio is currently valued at over £1 billion and invested in markets both inside and outside the EU. Latterly it has benefited from market volatility but in the longer term the impact of falling exchange rates could be damaging to the economy and cause adverse movements in interest rates and gilt yields.

- 6.5 A further decline in the rate of economic growth would impact on the Council's finances in three ways which are impossible to predict:
- by reducing income from Business Rates, Council Tax and charges, such as planning fees. As the Government's revenue support continues to decrease, local authorities are increasingly reliant on the health of the local economy at a time when service demand is increasing
  - by reducing the value of Council assets.
  - by increasing service demand from people whose budgets are squeezed and increasingly at risk of debt and homelessness.
- 6.6 Additional cost pressures are difficult to define at present, but could include increases in procurement costs and demand for services.

### **Procurement and delivery of public services**

- 6.7 After Brexit day, all contract opportunities that would currently be posted on OJEU/TED platforms would be advertised on a new UK-specific e-notification service instead. Contracts in the process of being negotiated could be affected as the rules that frame the process change or disappear overnight. Delays and costs may increase during major procurement exercises if access is lost to EU systems.
- 6.8 Suppliers based in the EU, transporting goods across the continent, or relying on EU based firms (not extensive) may see their costs increase. This could lead to many suppliers asking for more money to deliver the same services. Construction, vehicle leasing and IT contracts are particularly exposed to this risk.
- 6.9 Certain sectors tend to request annual price increases due to fluctuations in market conditions. The uncertainty around Brexit could lead to a larger proportion requesting a price variation to their contracts, this would be in addition to the Covid 19 requests received by the Council.
- 6.10 Increase in cost of construction materials and lead-in times and labour costs could impact on homes and schools capital delivery programme, housing repair, maintenance and improvement programmes.
- 6.11 There may be an increase in the cost of care, driven by staff shortages and food prices on top of existing rate of increase in social care costs.

### **Demand for services**

- 6.12 Brexit has the potential to change the nature and level of demand for services in a number of areas. However, it is not possible to predict the scale of demand, given the uncertainty.
- 6.13 If, following a hard Brexit, EU citizens have not completed the settlement status and lost their rights to residency, employment and eligibility for public services, such as housing and social care, some would be at increased risk of unemployment and homelessness, requiring a different service response, as offered to other people with no recourse to public funds. Those in emergency or

temporary accommodation could have their eligibility reviewed. There would be higher risk of rent arrears owed by EU nationals who are council tenants if they ceased to be eligible for benefits or became unemployed.

- 6.14 According to the Impact of Poverty on the UK report in 2018 (Cambridge Econometrics – Joseph Rowntree Foundation) poverty, already looks set to increase and could be exacerbated by Brexit. This could increase the need for homelessness prevention, budgeting support, discretionary housing payments, as well as temporary accommodation. It could also increase the amount of rent and council tax arrears.
- 6.15 In the longer term, depending on the degree of reduction in household budgets, some residents may have less liquid assets to pay for domiciliary care.

### **EU Funding**

- 6.16 The Government originally announced that it would ‘underwrite’ European Structural and Investment Funding (ESIF) until the end of 2020 in the event of ‘no deal’. This meant that organisations that successfully bid into EU-funded programmes before December 2020 would continue to receive funding over the project’s lifetime.
- 6.17 In the Spending Review on 25 November 2020, the Chancellor of the Exchequer announced £220m to help local areas transition to a new funding scheme in 2021/22 by running pilots, and promised £1.5bn of funding a year in a new UK Shared Prosperity Fund (UKSPF) that will replace ESIF. The Spending Review set out the Heads of Terms of the UKSPF, stating that it will ‘help to level up and create opportunity across the UK for people and places’. The funding profile will be set out at the next Spending Review. The Government will need to work with local authorities to make sure that the UKSPF is a locally designed fund that fully replaces support from European schemes. Despite the promise to match the level of EU funding, it is impossible at this stage to estimate how much might be invested in Croydon.
- 6.18 The Spending Review specified that a portion of the UKSPF will target places most in need, such as ex-industrial areas, deprived towns and rural and coastal communities. The Government will develop a framework for investment in places, prioritising:
- investment in people and skills, such as work-based training, supplementing and tailoring national programmes; and other local support
  - investment in communities and place including cultural and sporting facilities, civic, green and rural infrastructure, community-owned assets, neighbourhood and housing improvements, town centre and transport improvements and digital connectivity
  - investment for local business including to support innovation, green and tech adoption, tailored to local needs.
- 6.19 A second portion of the UKSPF will be targeted differently: to people most in need through bespoke employment and skills programmes that are tailored to local need. This will support improved employment outcomes for those in and out of work in specific cohorts of people who face labour market barriers.

- 6.20 Given the variety of timespans and geography of projects funded by the EU that benefit Croydon currently, it is difficult to give an overall figure. These projects include:
- Croydon is the main delivery partner of a Work and Health Programme for the South London Partnership for which the Council will receive a potential £6.7m of ESF funding over 2017/23 (match-funded by Department for Work & Pensions) for an education/ training programme to get long-term unemployed people back into the work place.
  - £9m ESIF funding was provided across 7 boroughs in 2016-18 for programmes to support NEET young people (Not in education, employment or training), with Croydon benefitting from 20-25% of the funding (£900k - £1.125m per annum). Some contracts have been extended for one year. Failure to replace ESIF funding fully would put at risk the Council's ability to identify young people not in education, employment and training (NEETs) and offer them appropriate support.
- 6.21 Many local organisations benefit directly from EU funding to provide skills training and employment support for long term unemployed, homeless people and people with particular support needs. It is hoped that the UK Shared Prosperity Fund will support these organisations.

## **Residents**

- 6.22 Residents who apply to stay in the UK and receive pre-settled status and not employed may lose access to benefits after 30 June 2021. These social security benefits include:
- Universal Credit
  - Income-based JSA
  - Income-related ESA
  - Income Support
  - Housing Benefit
  - Pension Credit
  - Child Benefit
  - Child Tax Credit
  - Council Tax Reduction
- 6.23 It is hard to quantify who will not have recourse for public funds as we do not know the numbers for non-applicants but we do know that that the average cost for anyone who fits into this category is £19,000 per person. It is therefore important that the Council monitors this risk.

## **7. IMPACT ON COMMUNITY SAFETY AND COHESION**

- 7.1 Following the Brexit referendum in June 2016 racist hate crimes rose by 16% in Croydon, but this has decreased toward pre-referendum levels. Freedom of movement ended on the UK's departure from the EU. However, the potential outcomes of negotiations between the UK and the EU on their future trading relationship and security co-operation, could impact on crime as well as the local economy.

- 7.2 Failure to secure a new agreement on policing and criminal justice for implementation from 1 January 2021 could make it harder to extradite criminals from the UK and reduce the number of people brought back to the UK to face justice. The Police could lose access to European intelligence system and the European Arrest Warrant, which allows EU members to request the arrest and detention of criminals in other countries without extradition talks between them. This could impact on the Police's ability to identify and extradite criminals who were foreign nationals, particularly for transnational serious organised crime.
- 7.3 The risk assessment of food and food traders will be more difficult and less targeted following loss of access to EU databases and testing. There is risk that following food price increases, cheaper unregulated products could enter the food chain. If a skills shortage develops in the catering industry, understaffed businesses will be less able to comply with food and safety legislation, risking an increase in food poisoning and complaints.

## **8. CONSULTATION**

- 8.1 The Council has conducted surveys and engagement with businesses, its partners and local VCS organisations through the Local Strategic Partnership Boards, networks and other forums and events to understand how Brexit impacts on them. It has taken into account these findings and concerns and developed plans with partners to mitigate risks.
- 8.2 In February 2020 over 200 businesses were invited to attend the Croydon Brexit Conference which also included London Chamber of Commerce, London Business Hub and the Federation of Small Businesses. Business views and concerns were captured and have fed into the contents of this report.
- 8.3 As specific measures are proposed, further consultation will be conducted as appropriate at that time.

## **9 PRE-DECISION SCRUTINY**

- 9.1 This item has not been to a Scrutiny and Overview Committee meeting for pre-decision debate as an individual topic. The reason for this is because the ending of the transition phase and the establishing of a new European relationship affects most of the activities of the Council (finance, procurement, communities etc). Therefore it is recommended that the Council weaves any potential challenges, opportunities or risks into each scrutiny item to allow more meaningful discussion.

## **10 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 10.1 At the time of writing this report it is not possible to fully identify the financial implications for Croydon Council of the ending of the transition period. This is because government and EU negotiations are still ongoing and a deal has not been reached.

The financial implications must be explored and reported as national plans become clearer especially as the Council's financial position remains precarious.

## 10.2 **Risks**

The report sets out a full range of possible financial risks that may face the authority as a result of leaving the European Union, as well as suggested mitigations.

## 10.3 **Options**

There are no options presented in this report.

## 10.4 **Future savings/efficiencies**

There are no future savings or efficiencies proposed in this report, although any opportunities that do arise will be incorporated into the Council's existing financial planning mechanism.

Approved by: Matthew Davis, Deputy S151 Officer on behalf of the Director of Finance, Investment & Risk & Section 151 Officer

## 11. **LEGAL CONSIDERATIONS**

- 11.1 The Head of Litigation and Corporate Law makes the following comments on behalf of the Director of Law and Governance.
- 11.2 The report seeks to provide an update on the possible consequences and implications following the transition period coming to an end on the 31<sup>st</sup> December 2020, subsequent to the United Kingdom (UK) withdrawing from the European Union (EU). Cabinet are asked to note the contents of the report and the proposed action plan at this stage.
- 11.3 Following the UK's referendum held on 23rd June 2016, 52% of the public voted to leave the EU, whilst 48% voted to remain. This led to the Government notifying the EU of its intention to withdraw by invoking Article 50 of the Treaty on European Union on 29<sup>th</sup> March 2017.
- 11.4 As a consequence of the European Union (Withdrawal Agreement) Act 2020 being passed, the UK left the EU on 31<sup>st</sup> January 2020. This means that the UK is no longer part of the EU's political bodies or institutions, including the European Economic Area (EEA). Upon leaving the EU a 'transition period' was also triggered, this Act preserved the rights contained in the European Communities Act 1972. These rights will be coming to end on 31<sup>st</sup> December 2020.
- 11.5 This transition period was to allow the United Kingdom and EU continue to negotiate their future relationship by formalising a trade agreement, in terms of the political and economic consequences for trading goods and services,

before the period comes to an end. Currently there is no withdrawal agreement in place.

- 11.6 An example of a possible consideration from the Council's perspective of there being no agreement in place by the time this transition period expires is the potential impact on residents who have obtained, applied or are capable of acquiring a pre-settled status. The date for applying to obtain such status and/or the effect of having such a status may be subject to change depending upon whether there will be any withdrawal agreement in place and the terms of such an agreement.

Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer.

## **12. HUMAN RESOURCES IMPACT**

- 12.1 Appropriate actions have been taken to ensure the workforce has been informed of and assisted with EU Settlement Scheme applications and that Council has the appropriate authorisation to continue to recruit from the EU.
- 12.2 We will continue to capture and monitor employee declarations and continue to promote employment opportunities for residents.

Approved by: Sue Moorman, Director of Human Resources

## **13. EQUALITIES IMPACT**

- 13.1 Under the Equality Act 2010 the Council along with other public bodies has a statutory duty to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
  - Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - Foster good relations between people who share a protected characteristic and those who do not.
- 13.2 An equality analysis has been conducted of the potential impact of Brexit on Croydon residents. The main negative impacts identified were as follows:
- Depending on the perception of the Brexit deal agreed in terms of the freedom of movement and its portrayal in the press and social media, there may be an increase in community tension and race hate crimes.
  - Unless EU citizens gain settled or pre-settled status through the EU Settlement Scheme by 1 July 2021, they will lose their rights of residency, employment and recourse to public funds. Its online application system has implications for EU citizens who are digitally excluded. Those who are ill,

isolated or hard to reach, have a learning disability or a physical disability such as impaired sight, or lack language skills may find it difficult to apply through the online system and are likely to require support.

- Poverty could be exacerbated, particularly among low income families and people of working age, irrespective of nationality, due to rising interest rates, inflation and unemployment, increasing vulnerability to debt and homelessness.

13.3 The Council has identified the following actions to mitigate these negative impacts:

- It is one of the Council's statutory equality objectives to improve the proportion of people from different backgrounds who get on well together. The Council will continue to promote Croydon as a welcoming and inclusive place and work in partnership with all sections of the community to monitor the level of community tension, responding to any emerging issues and negative messages arising from Brexit. It will work with business, faith and VCS groups to promote cohesion, respect and tolerance and take appropriate action with its partners to secure the safety and wellbeing of people from all communities and cultures.
- The Council will work with businesses, VCS, faith groups and other places of community focus to ensure EU citizens are aware of the EU Settlement Scheme and get support if required to apply for settled status.
- The Council will monitor changing levels of poverty and debt and, where required, respond through its Gateway Service with its partners to prevent homelessness, provide budgeting support, and link people employment and training opportunities through Croydon Works, the job brokerage service.

Approved by: Yvonne Okiyo, Equalities Manager

## **14. ENVIRONMENTAL IMPACT**

14.1 There are no direct environmental considerations arising from this report. The EU Withdrawal Act 2018 will ensure all existing EU environmental law continues to operate in UK law, providing businesses and stakeholders with certainty as we leave the EU. The UK's Climate Change Act is domestic legislation and will be unaffected by exiting the EU. The Council will consider the consequences of any subsequent amendment of EU environmental regulations by new UK legislation as these changes arise.

## **15. CRIME AND DISORDER REDUCTION IMPACT**

15.1 There was a 16% rise in hate crimes over the year after the June 2016 referendum, which has since reduced towards the level prior to the referendum. In the event of no trade deal, there is a risk of civil disorder and acquisitive crime in the wake of any rise in food prices, delays in the supply of medication

and disruption in the delivery of health and social care services. Failure to secure a new agreement on policing and criminal justice for implementation from 1 January 2021 could impact on the Police's ability to identify and extradite criminals who were foreign nationals, particularly for transnational serious organised crime.

- 15.2 The Council will continue working with its partners as set out in this report to strengthen community cohesion, monitor community tension and tackle hate crime. Implementation of the Equality Policy and statutory equality objectives and working proactively with partners including the police, voluntary, faith and community organisations to raise awareness and develop coordinated responses is critical to tackling hate crime. The Council will work closely with the Police and other partners to monitor and respond to any threat of disorder

## **16. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 16.1 To set out the Council's actions to mitigate the impacts of the UK's departure from the European Union, in particular in the event of no agreement between the UK and EU on their future relationship, declare that Croydon remains open for business and reassure EU citizens that their contribution to the working, civic and cultural life of Croydon is valued.

## **17. OPTIONS CONSIDERED AND REJECTED**

- 17.1 The internal Brexit working group work together to assess risk and facilitate activity on behalf of the Council as the transition period ends. This work is explained in this report. There are no other options considered at this time.

## **18. DATA PROTECTION IMPLICATIONS**

### **18.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

The information received by the council could include both business data and personal data of applicants. Each department in the Council will need to ensure that they conform to GDPR and any subsequent following legislation.

### **18.2 HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

No

Approved by Stephen Tate, Director of Growth, Employment & Regeneration

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#### **CONTACT OFFICER:**

Carol Squires, Head of Economic Development, 07944 600228

#### **APPENDICES TO THIS REPORT:**

Appendix A - London Borough of Croydon's

Response: Ending the Transition Phase

**BACKGROUND PAPERS:**

None

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# London Borough of Croydon's Response: Ending the Transition Phase

On the 31<sup>st</sup> January 2020 the United Kingdom withdrew from the European Union. Under the terms of the Withdrawal Agreement, the United Kingdom entered the transition period that is due to end on the 31<sup>st</sup> December 2020. This period allows the UK to continue its current relationship with the EU while the future trading relationship and security co-operation is negotiated.

The end of this transition phase and exit from the European Union has major implications for local authorities in terms of their budgets, local economies, regulatory framework and community cohesion. 'No-deal' on the UK's future relationship with the EU remains a distinct possibility as the transition date for leaving the European Union approaches. It would still leave the Withdrawal Agreement in place: citizen's rights would be protected, but the UK would trade with the EU on World Trade Organisation terms, as well as having to rely on previous international conventions for security co-operation. 'No-deal' would exacerbate the impact on the borough at a time of great economic challenge due to the impact of coronavirus

## 1. LOCAL ECONOMY: OUR RESPONSE

1.1. The Council has already taken a number of actions to support the local economy:

- Marketing 'Croydon is open' to attract more investment to the borough
- Working with the Government and the GLA to improve the infrastructure for growth: better roads and public transport, and excellent broadband
- Supporting the Growth Zone to develop new space, creating 23,594 jobs and 10,500 new homes for local people
- Through our Value Croydon approach, increasing the number of local suppliers that are benefiting from our commissioning – directly and through our existing providers, offering local SMEs access to supply chain opportunities and making it easier for them to bid for Council contracts, for example by breaking down large lots, ensuring low value contracts are offered to Croydon businesses.
- Encouraging and incentivising business to do the same through the Croydon Good Employer Charter: to pay the London Living Wage, recruit Croydon residents, use Croydon businesses for goods and services and have good policy and practice around equalities, workforce development and environmental sustainability.
- Helping business to locate space in Croydon, creating work spaces through planning policy, reactivating empty properties and creating a Creative Enterprise Zone.
- Supporting business and enterprise financially, through Croydon Enterprise Loan Fund and the Council's discretionary business rates relief

- Facilitating access to advice, information, mentoring and networking through the Croydon Business Network, Social Enterprise Network, a new small business hub and tech partnerships
- Supporting the development of new Business Improvement Districts and local economic development plans.

This activity was recognised by London Councils and the Federation of Small Businesses when Croydon Council won the Small Business Friendly Borough.

1.2 It is important to note that, due to the council's budget shortfall forecast for 2020/21 and ongoing budgetary pressures, activity and resources to support the local economy will need to be reduced. Working with partners and stakeholders will continue to be key to delivering the following actions from now onwards:

- Signpost to advice from Government and other sources to ensure that Croydon's businesses are compliant with emerging legislation, policy and practice. This will include continued promotion of the Mayor of London's [Brexit Business resource hub](#).
- With Croydon Business Network, support the delivery of a package of support to help existing businesses access new markets.
- Provide support to Croydon's existing business base to help create policies and procedures that enable them to become fit to supply major international companies.
- Joining with the Mayor of London to echo his message that #LondonisOpen - showcasing that Croydon is and will remain open for business, talent and ideas from across Europe and around the world - enhancing the borough's good reputation for being an easy place to invest and develop in, finessing the Council's offer and approaching developers to bring them to Croydon.
- Conduct an annual business survey which will add to local understanding of business confidence, concerns about Brexit, and views on the Council's openness.
- Encourage anchor organisations in Croydon (like NHS trusts, Home Office, Colleges, the Police) to support the local economy by paying the London Living Wage, buying local and employing local.
- As part of its regulatory and enforcement role, the Council will notify retailers and food businesses of changes in regulations.

## 2. WORKFORCE AND EMPLOYMENT: OUR RESPONSE

2.1 We want to ensure everybody has the opportunity to work and build their career. In addition to the local economy actions, there are a number of actions already underway specifically focused on workforce and employment:

- The Council and social care providers are actively recruiting social care staff through various initiatives.
- To improve local skills we are working with schools, colleges, trainers and businesses to support vocational routes for the local workforce into growth sectors of care, culture, retail, tech and construction.
- The Council's award winning apprenticeship programme currently works with providers to support business in developing training programmes for current and new employees and in creating new apprenticeships and employment pathways for Croydon residents.

2.2 The Council has also:

- Actively asked for a full disclosure from all existing Council staff who are EU citizens and captured status as part of right to work for all new employees, reminding them that they are valued by the Council, which is committed to their ongoing employment.
- Communicated with the Council workforce about the EU Settlement Scheme using information released by the Government.
- Arranged 'drop in' sessions/surgeries for any employee, locum or employee of our contractors engaged in delivering the Council's services, who are worried about their status, assisted with applications and offered other welfare support and advice.
- Ensured the Council's partners and providers are aware of the EU Settlement Scheme and its employer toolkit and are able to support their employees.
- Engaged with the business community to raise awareness of the EU Settlement Scheme and employment law in respect to EU nationals' status, particularly during the Brexit transition period.
- Supported businesses and training providers to seek funding to improve training provision
- Worked with the Voluntary & Community sector, faith groups and other places of community focus to ensure EU citizens are aware of the EU Settlement Scheme and get support if required to apply for settled status. Initially the Council will work with law centres, the Citizens' Advice Bureau and other advice agencies to develop a network of support and access to pro-bono advice. The Government has announced up to £9m in funding to VCS organisations to ensure EU citizens needing additional support get help in obtaining their settled status.
- Developed a web portal on Brexit on the Council's website for EU citizens with links to updated information on the EU Settlement Scheme including the Mayor of London's [guidance hub](#), and local sources of assistance.

### 3 COUNCIL FINANCE AND PROCUREMENT: OUR RESPONSE

- 3.1 The Council has not managed its finances and resources well, the repercussions can be seen by the poor financial position that the Council see itself confronting and the issuing of a section 114. Although our Medium Term Financial Strategy has recognised the uncertainty that Brexit has created, as stated previously, it is not possible at this stage to estimate the financial impact with any certainty.
- 3.2 The following actions have been implemented:
- Updated policies, procedures and other documents to reflect new tender, contract and other regulations for implementation from the end of the transition period
  - Collaborated and shared information further with neighbouring London councils to resolve issues and create joint-solutions where possible
  - Completed the identification of suppliers based in the EU or with prominent EU connections and the Council has engaged with the relevant suppliers and supported business continuity plans to deal with emerging issues
  - Worked with existing contractors to identify the impact on workforce and ensure contractors have plans in place to mitigate the impact on the services being delivered to our residents
  - Reviewed risks and mitigations with housing contractors and increased time and cost contingencies in budgets for complex capital projects
  - Worked with businesses, VCS sector, faith groups and others to ensure all our EU citizens are aware of the EU Settlement Scheme, as set out at 7.3 above; this will serve to mitigate the risk of them facing unemployment and homelessness as the result of being unregistered at the end of the transition period.
  - Reviewed all council business continuity plans to consider supply chain and people impacts, identify critical suppliers and ensure strategies are in place for the partial/whole loss of these.
- 3.3 Further actions regarding finance and procurement have been identified, as set out below:
- Given the difficulty in modelling a rise in demand for services, make arrangements to monitor the effects of Brexit with partners across sectors and share monitoring data and information to capture issues as they arise and get an idea of changes in demand. The locality approach of the Council's operating model will enable targeted work with schools, the health service, VCS and other partners as emerging issues and changes in demand are identified.
  - Monitor staffing shortages across the health and social care system and its impact on the infrastructure.
  - Once it is announced, respond to consultation on UK Shared Prosperity Fund (UKSPF) that will replace the ESIF and call for it to be a more

responsive, less bureaucratic scheme led by local areas and not central government

- Identify what other sources of funding may be available to replace EU funding streams.

#### **4. COMMUNITY SAFETY AND COHESION: OUR RESPONSE**

4.1 The Council is committed to ensuring that everyone feels safer in their street, neighbourhood and home, working in partnership to reduce crime, anti-social behaviour and ensure public protection.

4.2 The Council is therefore already taking a number of actions to support this area:

- We promote Croydon as a welcoming and open place
- With our partners we are monitoring the level of community tension through existing projects. This work is supported by the Counter Extremism Community Connector who is working with faith and VCS groups to build local networks to promote cohesion, respect and tolerance and monitor community tensions. A protocol on coordinated responses to tensions and cohesion related issues is being agreed. A faith responders group supports responses to community tensions
- The Safer Croydon Partnership is working jointly to improve support and reduce vulnerability for all victims of crime, focusing on hate crime. This work includes funding community-led activities to overcome hate crime and support victims.
- Planning for any civil disturbance is led by the Police and have been shared with the Croydon Resilience Forum – the local multi-agency emergency planning partnership. They meet to assess risk and implement agreed action.
- The Council works with partners and providers to increase awareness of modern day slavery, identify and act to protect victims.

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