

**Briefing No 9: September Update on the Potential Impacts of Brexit in H&F and Mitigating Actions Being Planned or Developed**

**1. Introduction**

- 1.1 The Brexit deadline is still 31 October but recent legislation now requires that the Prime Minister seek an extension to this deadline if there is no deal agreed by 19 October.
- 1.2 If no withdrawal agreement is passed by both Parliament and the EU before 31 October then we are facing a no-deal Brexit or a further extension. This scenario is looking increasingly likely, given the very limited parliamentary time available to approve any new withdrawal agreement.
- 1.3 If a withdrawal agreement is reached and ratified, it could include provisions for a transitional period, or implementation phase, which would extend the negotiating period for the future relationship. It would provide time for negotiations on the future UK-EU relationship to continue before substantive change in the UK's status takes place.

**2. Settled Status**

- 2.1 In March 2018 the Government and the EU agreed a reciprocal settlement scheme to safeguard the rights of EU nationals in the UK and British citizens in other EU states. To be granted settled status, all EU citizens resident in the UK will need to apply online by June 2021. Their rights will be protected up until the end of 2020. There are an estimated 30,000 EU citizens resident in H&F. The following Government website sets out the detail of the settled status arrangement and how to apply: <https://www.gov.uk/settled-status-eu-citizens-families/applying-for-settled-status>.
- 2.2 The reciprocal settled status agreement, however, is only secured if the UK and EU sign up to the Withdrawal Treaty, i.e. if an overall Brexit deal is negotiated. In the event of a no-deal Brexit, the settled status agreement would fall and it would be up to individual nation states as to whether or not they choose to implement the settled status scheme. The UK Government, has opted to progress a unilateral arrangement, whereby it progresses the online process of EU residents applying for settled status and retaining their rights under UK law.
- 2.3 The online application process for the EU Settlement Scheme went live on 30 March 2019. The latest Government figures show that 8,300 H&F residents

had applied to the scheme by 30 June 2019. H&F Council is operating a free scanning and verification service to all residents to assist with their applications to the Scheme. This service is available from the Register Office at The Clockwork Building, Beavor Lane, Hammersmith. As of 2 September 2019, a total of 517 residents had used this service.

- 2.4 The position for UK residents living in the EU is unclear as they would be subject to whatever decisions each of the 27 EU states came to as to whether or not they choose to unilaterally implement the settled status scheme. Where EU states choose not to implement the scheme, we might see the return of significant numbers of, largely, elderly UK citizens from those states, with accompanying housing and care needs.
- 2.5 A strapline at the bottom of the H&F website directs EU citizens to where they can learn about the Settlement Scheme and access any advice and support they may need.

### **3. Workforce**

- 3.1 The government has said that there will be strict controls on unskilled migrants (EU and non-EU) entering Britain after Brexit and earning less than £30,000 per annum. This will directly affect the construction, hospitality & catering, healthcare and retail sectors. Pay rates may have to increase (to attract resident workers) and this could affect the inflation rate (and, therefore, potentially, interest rates).

**Table 1: High impact employment sectors**

<b>Sector</b>	<b>Number of employees in H&amp;F in 2017</b>	<b>Proportion of total employees in H&amp;F</b>
Construction	3,500	2.6%
Retail	15,000	11.1%
Accommodation and Food Services	11,000	8.1%
Healthcare	12,000	8.9%

*N.B. These figures relate to jobs located in H&F not to employees resident in the borough. Some of these employees will be resident elsewhere.*

***Construction and development***

- 3.2 Construction contractors and developers that officers are in contact with are concerned about the effect that Brexit could have on recruitment and retention. Data produced by Build London indicates that, on the Thames Tideway project alone, the majority of the workforce recruited is from Eastern Europe, i.e. non-UK nationals.

***Social care***

- 3.3 The national analysis of the potential impact of Brexit on social care providers looks bleak:
- Ending freedom of movement after Brexit could result in 115,000 fewer adult social care workers by 2026, according to a report by Global Future published in August 2018;
  - There are at present 1.3 million care workers in the UK, but an estimated 2 million will be needed by 2035 to cope with the rising number of elderly people;
  - A report on future migration patterns by the independent Migration Advisory Committee, published in October 2018, found that one in 17 social care staff (5.9%) were from the EU in 2017, with staff from new member states making an increasing contribution to the workforce.

*“The combination of rising demand, downward pressure on public spending leading to relatively low wages making many jobs relatively unattractive to resident workers, and the absence of a non-EEA (European Economic Area) work-related route for the lower-skilled roles in the sector mean that this is a sector that could face even more serious problems if EEA migration was restricted.”*

*(Global Future report on the impact of Brexit on the social care workforce, August 2018)*

- 3.4 H&F’s three main homecare providers; Sage, Mi Homecare and CRG, have anywhere between 11-21% of their workforce from EU countries and they all pay London Living Wage, in accordance with contractual requirements. These three contractors provide 81% of the Council’s homecare services.
- 3.5 Officers are actively assessing the potential impact of social care provision in the event of a no-deal Brexit and service providers are supplying their contingency plans.
- 3.6 The biggest concern of H&F commissioners is around residential care homes, and the potential impact on nursing. Official figures show that the number of nurses from the EU registering to work in the UK dropped by 96%, less than a year after the Brexit vote, so this will compound the existing challenges

around recruiting nurses to work in care homes and finding suitably skilled and qualified nursing home managers.

- 3.7 The table below shows the potential impact on social care budgets of increased costs that may result from labour shortages and other inflationary pressures arising from Brexit.

		<b>Risk</b>		
<b>Service Area</b>	<b>Project spend as at August 2019</b>	<b>1%</b>	<b>2%</b>	<b>3%</b>
	£000's	£000's	£000's	£000's
Placements	24,800	248	496	744
Packages	13,816	138	276	414
Direct Payments	8,427	84	169	253
<b>Total</b>	<b>47,043</b>	<b>470</b>	<b>941</b>	<b>1,411</b>

#### **4. Goods and Services**

##### ***Housing and construction***

- 4.1 The H&F Local Plan commits the Council to building at least 22,000 new homes in the borough by 2038. At any one time, over 1300 households are in temporary accommodation in Hammersmith and Fulham, awaiting permanent housing in the borough. The construction industry relies heavily on foreign migrant labour for skilled and non-skilled roles - in London 28% of construction workers are non-UK EU nationals (ONS, June 2018).
- 4.2 It is feared that outside of the EU, which guarantees the right to free movement, the skills shortage could worsen. If immigration is limited, particularly for skilled workers, the UK could witness higher project costs where labour demand outstrips supply. This could severely reduce housebuilding in the UK; potentially deepening the housing crisis, especially in London.

- 4.3 Alternatively, if global investors start to take their money out of the UK property market, this could lead to a collapse in house prices in inner London areas like H&F.

### ***Supply chain***

- 4.4 Business Continuity and Corporate Procurement are identifying clusters of corporate contracts (e.g. food, IT, construction, care and medical equipment) that may be more sensitive to no-deal Brexit changes.
- 4.5 A cross-departmental Service Resilience Group (SRG), consisting of the core Directors from the Strategic Leadership Team, is forming strategies around contingencies for partial or whole loss of critical suppliers, such as sourcing from alternative markets and gaining insight of the local area distribution network. The SRG meets quarterly and its last meeting took place on 2 September, chaired by the Chief Executive.
- 4.6 In addition to the SRG, a 'Tiger Team' has been formed with specific Assistant Directors given lead responsibility for making urgent decisions in key areas of the council's operations, i.e.: Finance; Workforce; Community Cohesion; Housing and homelessness; Supply chain; Education; Regulatory, and; Demand for services.
- 4.7 With changes to the council's IT network, all services have been requested to either refresh or complete new Service Continuity Plans by 20 September to ensure that these are up to date with the roll out of new technology. Many of these Plans have appended Brexit Plans and these will also be updated, as necessary.

### ***Health and social care***

- 4.8 The Department of Health and Social Care (DHSC) has undertaken an analysis of the supply chain for medicines, including radioisotopes and vaccines, which identified those products that are imported from the EU and the European Economic Area (EEA). Without a deal, the supply chains for these products may be affected by changes to border processes and procedures.
- 4.9 To address this issue DHSC is working with the relevant marketing authorisation holders to ensure that UK stockpiles of medicines are adequate to cope with any potential delays at the border that may arise in the short term.

- 4.10 In the event we leave the EU without a deal, based on the current cross-government planning scenario, the Government hopes to ensure the UK has an additional 6 weeks' supply of medicines in case imports from the EU through certain routes are affected. This is the current planning assumption but will, of course, be subject to revision in light of future developments.
- 4.11 DHSC are, therefore, asking pharmaceutical companies that supply medicines for NHS patients from, or via, the EU or EEA, to ensure they have a minimum of 6 weeks' additional supply in the UK, over and above their business as usual operational buffer stocks, by 31 October 2019. The DHSC is also working with industry to improve trader readiness in preparation for the new customs procedures that will come into force on day 1 if we leave the EU without a deal:
- changing or clarifying regulatory requirements so that companies can continue to sell their products in the UK if we leave with no deal;
  - arrangements to deal with shortages;
  - in addition to normal shortage management routes, enabling ministers to issue serious shortage protocols to pharmacists.
- 4.12 All these arrangements echo the plans put in place ahead of 29 March and will be essential to the continuation of medicines and medical products if the UK leaves the EU without a deal.
- 4.13 The Department continues to centrally coordinate contingency measures to mitigate risks to supply. This removes the need for any stockpiling at local level, which could cause medicine shortages and put patient care at risk.
- 4.14 The DHSC has launched the Medicines Supply Contingency Planning Programme. Through this programme the Government is seeking information about contingency plans put in place in respect of medicines that meet a relevant criterion.
- 4.15 Separately, they recognise that there are some products that have short shelf lives and cannot be stockpiled. Where such products are at present imported to the UK from the EU/EEA via road haulage and roll-on, roll-off sea, road and rail routes, DHSC is asking suppliers to ensure they have plans in place to air freight those products to avoid any border delays that may arise in the event of a no-deal exit from the EU.
- 4.16 The programme covers products that are prescription-only medicines and pharmacy-only medicines that come from or via the EU/EEA via road haulage and roll-on, roll-off sea, road and rail routes.

### 5. **EU Legislation**

- 5.1 EU law and regulation underpins many council services (such as waste and environmental standards). The Withdrawal Act 2018 provided for all EU law to be brought into UK law to ensure that there was legal certainty for businesses and residents. The Withdrawal Act is now law and this legal certainty would remain in place even under a no-deal exit. However, many UK laws refer to EU regulations or to EU agencies. The Withdrawal Act gives ministers the ability to amend such laws where EU institutions or processes are mentioned.
- 5.2 Given the number of Statutory Instruments that are required it is not currently clear whether all changes will be communicated via the no-deal technical papers or through direct communications by Government departments to relevant professional bodies or directly to councils.

### 6. **Communities**

- 6.1 To date officers have not seen any evidence in their work with communities, through tenant and resident associations (TRAs) or consultation activities and events, that Brexit has affected community cohesion in H&F. We encourage TRAs to work with all residents in their community and it may well be that we run a series of community focussed events to celebrate the diversity of our estates, and the wealth of nationalities across our borough. The CommUNITY Day event of 21 July, held in Ravenscourt Park, was very much focussed on a celebration of the borough's diversity in the shadow of Brexit.
- 6.2 If problems in the supply chain should lead to a shortage of basic and vital items – foodstuffs, medicines etc – this may lead to social unrest. Early indications could be captured via Tension Monitoring, possibly on a weekly basis, using social media as an early warning sign. The Prevent teams across London are monitoring community tensions on a regular basis in the run up to Brexit and will continue to do so post-Brexit.
- 6.3 The Government has issued Brexit community engagement guidance for local authorities. The guidance, including case studies from other authorities, is located here - <https://www.gov.uk/guidance/community-engagement-and-eu-exit-guidance-for-local-authorities>
- 6.4 The Government has also issued a public information campaigns toolkit: <https://wetransfer.com/downloads/775d7a825e15eafaea9d4596c0870fed20190321095321/4be9ca1ecf1532b223e6f070d494205b20190321095321/2664be>

**7. EU Funding**

- 7.1 In terms of English for Speakers of Other Languages (ESOL) Functional Skills (maths and English and ICT) provision, our Adult Learning and Skills Service was funded by the Education and Skills Funding Agency (ESFA) grant up until August 2019, when the budget was devolved to the London Mayor. This funding amounts to £2.7m per year. We are told that the sub-regions, in our case West London, will continue to receive the current level of funding up to 2021, after which there is no guarantee that funding will continue. The H&F Adult Learning and Skills Service is currently the second highest recipient of the ESFA budget in West London, but that is likely to change after 2021, when we are likely to have a reduction if the devolution is based on the West London demographics of deprivation.
- 7.2 With regard to the London Mayor's Skills and Adult Education Strategy for Londoners, the Mayor has given guarantees to prioritise the following in relation to substitutes for European Social Fund (ESF) funding:
- those with poor basic skills – English, maths and ESOL;
  - those at risk of redundancy from automation and other digital changes;
  - parents and care leavers, particularly those who are long-term unemployed or stuck in low paid/insecure work, providing support with childcare where possible;
  - people with special educational needs and disabilities (SEND);
  - Black, Asian and minority ethnic groups;
  - people who are long-term unemployed (i.e. for more than 12 months) and economically inactive and/or cycling in and out of work;
  - people who face complex barriers including those who are homeless, facing drug and/or alcohol addiction, and ex-offenders.
- 7.3 Environmental improvement projects, such as the sustainable drainage systems (SuDS) on Queen Caroline Estate and Maystar Estate, were funded by the EU Life project. From October 2019 we will not be able to apply to this funding stream anymore. Our two improvement budgets, Housing Estate Improvement Projects [run by Groundwork] and the Neighbourhood Improvement Fund, use Housing Revenue Account funds.
- 7.4 H&F received no direct EU grant funding for either capital or revenue schemes in 2018/19 and none is budgeted in 2019/20.

**8. Wider Economic Impacts**

- 8.1 At a high-level there are several specific financial risks regarding a no-deal Brexit. The potential for short and medium-term disruption includes:
- Inflation - this is likely to increase due to a potential fall in the value of the pound, the impact of tariffs, supply chain concerns and labour shortages;
  - An economic slowdown - tariffs and supply chain concerns could disrupt trade whilst some businesses may decide to relocate to the EU zone or reduce plans for UK investment;
  - Worse public finances - lower growth will mean less funding for public services;
  - EU firms with a presence in H&F – European businesses operating in the borough may leave or reduce their footprint over time, resulting in fewer jobs and knock-on effects for local businesses through lower demand and changes to supply chains.
- 8.2 The extent to which each of the above factors impacts on the Council depends on their depth and duration. As examples:
- Each extra 1% of inflation will lead to a cost pressure of £0.8m per annum for H&F Council wages and £2m for supplies and services and payments to others;
  - An economic slowdown would impact on a range of services and income budgets. For example, planning income, land charges income and business rates income could all decline, while the cost of the local council tax support scheme and the costs to the Council of addressing homelessness would be likely to increase;
  - Worsening of public finances may result in longer and deeper cuts to government funding. Local authority funding has not received the protection provided to health or police budgets;
  - The viability of regeneration initiatives might be affected. Economic uncertainty, such as around housing values, may hamper regeneration initiatives or be impacted by adverse movements in long-term interest rates.
- 8.3 Local authority finances are already under significant pressure from cuts of 59p in the £ imposed by national government. A National Audit Office report from last year emphasised that the financial position of the local authority sector, particularly for those authorities with social care responsibilities, has worsened markedly since 2014. As set out above, in the short to medium term, a no-deal Brexit is likely to add to such pressures for both the wider sector and for Hammersmith and Fulham. The financial resilience of many authorities will be further tested. The position over the longer term is uncertain.

- 8.4 As a member of the EU, the UK has access to the European Investment Bank (EIB) and the European Investment Fund (EIF). Losing both these revenue streams could have a significant impact on the delivery of big infrastructure projects as well as start-ups across the UK.
- 8.5 In the event of a no-deal Brexit that results in a negative impact on H&F in this financial year we will make use of the general contingency in the 2019/20 budget, which currently stands at some £2.5m. A negative impact on the 2020/21 budget will be mitigated by the reprioritisation of reserves, s106/CIL funding and Capital budgets.

### **9. MHCLG EU Exit Funds**

- 9.1 The Ministry of Housing, Communities and Local Government has made available funds amounting to £314,984 for each primary authority to assist in mitigating the negative impacts of Brexit. The allocation of over a third of these funds has been agreed by the Cabinet Member for the Economy and the Arts, as set out in Appendix 1 (a further £15,000 was previously allocated for the costs of a leaflet drop and information stall at CommUNITY Day 2019).
- 9.2 The overall costs of Brexit to the borough are unknowable. When the staff time of council employees assessing and preparing for the impact of Brexit, and the opportunity costs of public and private investment not made in H&F are included, it will be many multiples of this figure.

## Appendix 1

<b>Project</b>	<b>Actions</b>	<b>Cost</b>
CommUNITY Day	Rally and arts festival in Ravenscourt Park, held on 21 July. Promotion included a leaflet drop to all households informing residents of the application process for the Settlement Scheme and of the advice and assistance available to them, including the free scanning and verification of documents for H&F residents. A stall was set up at the rally and festival to offer advice to EU citizens and to distribute an information flyer.	£15,000
Support and advice on EU Settlement Scheme application process	Specialist adviser to be placed in H&F Citizens Advice. Awareness raising events such as workshops will aim to reach 1150-1200 EU citizens in the borough who might require advice and assistance. 1:1 support will be provided to 300 residents in completing application forms.	£45,000
Support and advice on EU Settlement Scheme application process	Specialist adviser to be placed in the Law Centre. Planned activities: advice and assistance sessions via booked appointments; training for other agencies and council employees to identify clients to refer for assistance; public legal education meetings; information leaflets; detailed information on the website.	£49,983
Support and advice for businesses	An H&F delivered support programme including group sessions, diagnostic 1:1 sessions and mentoring support for businesses who need more intensive guidance.	£6,000
Scanning and verification of documents and provisions for foreign visits	The Civic Events team are providing free scanning and verification of documents for H&F residents, the demand for which is likely to increase once the specialist advisers are in post. Civic Events are also providing shields and pins for an increasing number of visits of foreign delegates. After Brexit it will be increasingly important to maintain relationships with European municipalities, as well as forging new relationships beyond Europe.	£10,000
<b>Total</b>		<b>£125,983</b>