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| Cabinet 27 March 2019 |  TOWER HAMLETS |
| Report of: Will Tuckley, Chief Executive | Classification: Unrestricted |
| Tower Hamlets Brexit Commission Report: Impact of Brexit on Tower Hamlets | |

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| Lead Member | Councillor Amina Ali, Cabinet Member for Culture, Arts and Brexit |
| Originating Officer(s) | Afazul Hoque, Head of Corporate Strategy & Policy |
| Wards affected | All Wards |
| Key Decision? | No |
| Forward Plan Notice Published | 22/02/2019 |
| Reason for Key Decision | n/a |
| Strategic Plan Priority / Outcome | A dynamic, outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough |

Executive Summary

This report submits the draft Brexit Commission report which focused on the impact of Brexit on public services, local economy and civil society on Tower Hamlets which can be found in Appendix 1. The report also sets out how the Council will work with our partners to take forward the Commission's 24 recommendations.

Key findings from the report include:

- Tower Hamlets could lose out on millions of pounds of financial support for key programmes if the government does not identify like for like replacements for existing EU funding streams
- Small and medium sized business are yet to realise the significance of Brexit and area heading towards a potential no deal exit without sufficient contingency plans in place.
- The delivery of services for our most disadvantaged residents is being put at risk by a perfect storm of future funding uncertainty and an increase in demand for frontline support
- Many non-UK EU citizens are still unsure about how to secure their residency and employment rights through the EU Settlement Scheme and are uneasy about their future here
- Without an agreement on our involvement in programmes like Horizon 2020 and Erasmus, our higher education institutions will struggle to attract the best

and brightest from around the world.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Note the Brexit Commission report attached in in Appendix 1.
2. Comment on the proposals to take forward the recommendations from the Commission.

1. REASONS FOR THE DECISIONS

Leaving the EU will have implications for the borough as a whole, and the Brexit commission collected a range of evidence from various sectors about the potential risks, and makes a number of recommendations to minimise those risks to the borough.

2. ALTERNATIVE OPTIONS

- 2.1 Cabinet may decline to agree the recommendations in the report. This is not recommended as the report collated a range of evidence on the key risks facing the borough.

3. DETAILS OF THE REPORT

- 3.1 The Brexit Commission was set up in September 2018 by the Mayor and was a key priority of the Tower Hamlets Partnership Executive Group, as agreed in the Tower Hamlets Plan. A number of Commissioners were recruited to represent a diverse mix of backgrounds and provide independent guidance and support to the Brexit Commission.
- 3.2 The report specifically addressed the following questions and some additional ones noted in the report:
 - **Local economy:**
What are threats and opportunities of Brexit to our competitiveness as a borough for international business over the short, medium and long term?
 - **Public services:**
What are the threats and opportunities of Brexit to local statutory organisations and the public services they deliver?
 - **Civil society:**
What does the borough need to do to support EU27 citizens currently living in the borough, and those arriving during the transition period, who will be entitled settled and pre-settled status?

3.3 The Commission collected written evidence and heard oral evidence from a range of organisations and individuals, addressing the local impact of Brexit on three key areas: local economy, public services and civil society.

| Evidence Collected | | |
|---------------------------|---|---|
| Public Services | Wednesday 3rd October, Tower Hamlets Council | |
| | Oral Evidence: Queen Mary University Tower Hamlets College Barts Health NHS Trust East London Foundation NHS Trust Tower Hamlets Council Institute for Government Unison National GMB London | Written Evidence: 13 received |
| Local Economy | Tuesday 30th October, Canary Wharf (Level 39) | |
| | Oral Evidence: London School of Economics Greater London Authority Institute for Public Policy Research Centre for Cities TheCityUK East London Business Alliance Aecom Ballymore Group London Tea Exchange Mackenzie Wheeler The Aldgate Partnership | Written Evidence: 32 received |
| Civil Society | Tuesday 27th November, Harford St Centre | |
| | Oral Evidence: Seraphus The 3 Million Group Praxis CVS LGA GrowTH Toynbee Hall No Place for Hate Unmesh Desai AM, London Assembly Member | Written Evidence: 7 received |

3.4 The Commission also held three road shows to provide information to local residents on the EU settlement scheme and a number of other events/activities listed below:

| Activities | |
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| Brexit Roadshows | <p>Saturday 15th September, Whitechapel Idea Store Monday 29th October, Canary Wharf Mall Monday 3rd November, St. Luke's School</p> <p>The Brexit roadshows promoted awareness amongst local EU residents of the Home Office Settlement Scheme, and provided advice on how to engage with the process. Various locations were targeted throughout the borough in order to reach a wider group of residents.</p> |
| Staff Engagement Day | <p>Wednesday 25th October, Tower Hamlets Council</p> <p>The Staff Engagement Day delivered advice for EU staff on the Home Office Settlement Scheme. Seraphus law firm provided a presentation and a 1-1 advice session for staff.</p> |
| BAME Event | <p>Wednesday 21st December, London Bangla Press Club</p> <p>A roundtable event chaired by Councillor Ali was carried out with BAME small business owners, in order to hear the views of businesses in different ethnic communities.</p> |
| Engaging with young people : Brexit and young people event | <p>Tuesday 4th December, George Green's School</p> <p>Councillor Ali attended a classroom event on Brexit with high school children, so that the students could talk to a local political representative about their concerns and questions about Brexit.</p> <p>Friday 25th January, Town Hall</p> <p>The Brexit Commission organised a young people engagement event on Brexit to discuss with young people some of the themes in the report.</p> |

- 3.5 In addition, the research consultancy Capital Economics were commissioned to carry out in-depth economic analysis of the impact of Brexit on the local economy in Tower Hamlets, in relation to some of the following areas: trade, jobs, skills and immigration. Their analysis mapped out three different Brexit scenarios, these were: a 'No-Deal', the 'Chequers style' trade agreement and the Canada Plus model.
- 3.6 Some key findings from the Capital Economics research found that: Tower Hamlets is less exposed to barriers in trade in goods. However there will be supply chain impacts. Businesses are concerned regarding the uncertainties surrounding Brexit and the impact this would have on their business and ability to recruit workers. Brexit will have a significant impact for financial services. Almost half (46%) of economic value generated in the borough derives from the financial sector and most of this activity is based in Canary Wharf, it also employs 10% of residents and generates business for local

small and medium sized businesses. Any effect on Canary Wharf, particularly related to regulations and immigration from Brexit will therefore have a significant impact on the borough.

- 3.7 The Brexit Commission examined in-depth the impact of Brexit on three key areas: local economy, public services and civil society. Some key findings are noted here. There is an uneven distribution of impact across the borough and by population group. Tower Hamlets is particularly exposed to some of the potential negative impacts of Brexit due to: the large concentration of international financial, professional services and tech companies based in Canary Wharf and the City fringe.
- 3.8 There will be potential labour and skills shortages critical for public services, such as health care. The economic impact of Brexit on public services will put public finance and public services under further financial constraint when demand is rising. Public services reported concerns regarding uncertainties in relation to future funding and talent mobility. There are also uncertainties around the UK Shared Prosperity Fund which is still to be devolved regionally.
- 3.9 The borough has a large number of EU27 citizens living in the borough (41,000) which will see their legal status change. There is also a potential risk to community cohesion in relation to a rise in hate crime and anti-immigrant attitudes that surfaced since the EU referendum. Charities reported a common misunderstanding surrounding the new Settlement Status, where EU residents were failing to connect Brexit with the need to secure their individual rights. There were some concerns regarding the potential of discrimination towards EU residents and a rise in hate crime in the current climate.

Recommendations

- 3.10 The draft recommendations from the Commission are set out below:

Regulations

1. The Tower Hamlets Partnership should support existing campaigns around financial regulations, and set up a separate lobbying arm with stakeholders, given the importance of the finance sector to the local economy.

Businesses

2. The council should work with partners to support local businesses, including access to business rate relief for small businesses.

Immigration

3. Business sectors should work with Tower Hamlets Council and London Councils, alongside the Greater London Authority, to form consortia and lobby central government to consider the impact of reduced levels of immigration for all workers to business and the local economy.

Skills

4. The Tower Hamlets Partnership should continue to focus on supporting more Tower Hamlets residents into employment.
5. Businesses should work with the Tower Hamlets Partnership to explore options for sector led access to work schemes, such as a commitment to ensuring 'entry level' roles are first advertised for Tower Hamlets communities.
6. Employers should define 'job readiness' and invest locally to better prepare Tower Hamlets residents to access job opportunities, particularly in low skilled work, should labour decrease in certain sectors.

Staffing

7. The council and the Tower Hamlets Partnership should use existing information and tools available on the EU Settlement Scheme and publish this information on their websites. This is to be circulated widely among local employers.

Skills

8. Organisations already carrying out individual analysis of their skills needs should provide future proofing for any deficits over the subsequent five to ten years.
9. The Tower Hamlets Partnership should work with businesses and regional researchers to produce a post-Brexit borough-wide information pack on the skills needs of the local economy. This should include considerations of any London-wide skills strategy developed by the Mayor of London and London Councils.
10. Public sector organisations should work together to lobby the Mayor of London and central government to devolve any skills budget, including unspent Apprenticeship Levy funding, as locally as possible.

Tower Hamlets - a place of excellence

11. Tower Hamlets Partnership to lobby government to continue funding Horizon 2020, Erasmus and English as a second or foreign language (ESOL) as they add significant value to local people and students.
12. The council should work with London Councils and lobby the Mayor of London and central government to provide clarity on European Social Fund (ESF) funding post-Brexit with more detailed information on the proposed UK Shared Prosperity Fund (UKSPF), in order to sustain ESOL and other funding, as well as the basic skills provision that is central to cohesion and employment in the borough.

Funding

13. Public sector organisations should map funding they receive from the EU, plan for the future of this funding, and work with London Councils to lobby central government to secure future funding from the UKSPF. Voluntary and community sector (VCS) organisations and the council should monitor the development of the UKSPF and feed into any relevant government consultations.

Supply chains and procurement

14. Public sector organisations should carry out detailed supply chain mapping. They should identify where their supply chains are procured from in the EU, and carry out contingency planning, or look at alternative forms of procurement, such as sourcing goods/services locally or from within the UK.
15. Public sector organisations should work with representative bodies or boards to enable collective contingency planning and support.
16. The Tower Hamlets Partnership should lobby central government to minimise the negative impact on local people relating to the movement of goods and services procured nationally from the EU.

Migration

17. The local VCS and the council should place a particular focus on informing 'hard to reach' groups of their rights under the EU Settlement Scheme.

Voluntary and community sector

18. The Tower Hamlets Council for Voluntary Service (THCVS) should undertake a mapping exercise to understand what funding the borough receives from the EU, the services that are impacted and the availability of replacement funding post-Brexit.
19. Organisations should monitor the Greater London Authority's 'Brexit hub' to understand emerging plans for locally devolved funding.

Social cohesion

20. The Tower Hamlets Partnership should promote positive messages on the careful use of language in the context of Brexit, noting the role that language can play in maintaining or disrupting community cohesion.
21. The council to work with its partners to encourage residents to come forward when reporting hate crime.
22. Tower Hamlets Partnership should work with the council to positively encourage community cohesion in the borough, by creating a sense of place-

based pride among residents. New York City should be explored as an example.

Staffing

23. All voluntary and community sector organisations, public sector bodies and businesses in Tower Hamlets should support their staff and volunteers by providing guidance on the EU Settlement Scheme, in addition to wellbeing and emotional support where necessary.

Partnership working

24. The commission's report should be presented to all partnership boards and groups to ensure all organisations give due regard to its recommendations.

- 3.11 The Commission's report was formally launched at City Hall on 14th February 2019 hosted by the GLA Assembly Member Unmesh Desai. This was well received and attended by diverse range of local and regional partners.

Addressing the Commission's Recommendations

- 3.12 The Council will work closely with partners to ensure the recommendations made by the Commission are implemented and mitigate the effects of Brexit on the borough. Work has already begun to raise awareness of the recommendations through attendance at key partnership boards which includes the Adult Social Care Pan Provider Forum, Tension Monitoring Group, Growth & Economic Development Partnership Board, Partnership Executive Group, Training, Enterprise and Employment Forum, and the London Councils' Deputy Treasurers Group. We will be working with services across the council to ensure that in the coming months all key partnership boards are consulted, such as the Health & Wellbeing Board, Tower Hamlets Housing Forum, Community Safety Partnership, and the Children's and Families Board.
- 3.13 There are a number of recommendations relating to lobbying and the Council will work with the relevant partners to take these forward. This includes local education partners, businesses, public sector organisations and London Councils to lobby the Mayor of London and relevant Government Departments. The report has also been submitted to the Secretary of State for Ministry of Housing, Communities and Local Government (MHCLG) with the provision to meet with him to discuss how the impact can be mitigated on the borough. The Council is also now submitting weekly updates to MHCLG through a Brexit Impact Tracker highlighting areas of risk and challenge.
- 3.14 The Council has been running a reassurance campaign to keep EU citizens informed about their rights under the EU Settlement Scheme. The 'this is your home too' campaign imagery continues to be displayed on poster sites across the borough and refuse vehicles and online promotion via social media channels. In January, using information and guidance provided by the Home

Office, the GLA and NGOs, the Council launched an online Brexit Partnership Toolkit for residents. It includes information on the EU Settlement Scheme and on community cohesion. As 29 March approaches, and if no deal is still looking like a possible outcome, we will need to use it to push out wider reassurance messaging. The Council has also developed a Brexit Resource Hub for partner agencies bringing together information from a range of Government Departments in an accessible format including the Brexit Commission report and campaign materials. This has been shared widely with partner agencies.

- 3.15 The Council has begun work to review the impact of Brexit on our supply chains and identify where a contingency plan or alternative form of procurement is needed. A mapping exercise has been undertaken to identify tier 1, 2 and 3 contractors to help identify those that are part of a multinational firm and with operations outside the UK. A supply chain risk assessment survey has been sent to 2,400 suppliers and providers to understand potential impact of Brexit as well as steps taken to mitigate against potential risks. The Council will work with partners to lobby government to minimise the impact on local people for goods and services procured nationally from the EU. The Council is also engaging its EU staff to understand the number of staff impacted and how it can support through the EU Settlement Scheme.
- 3.16 On inclusive growth the Council has developed a Growth and Economic Development Plan which is seeking to address issues around jobs and skills in the borough including how we support young people to be more aspirational and address future skills shortages in the borough. The Growth and Economic Development Board is also looking to hold a Summit in early summer bringing together a range of stakeholders to tackle the systematic challenges on skills gaps in the borough and examine the role public, private and voluntary community sector organisations can play in fostering an inclusive growth agenda.
- 3.17 The Tower Hamlets Partnership Executive Group as part of its commitment through the Tower Hamlets Plan has also started work to develop a place campaign. This will help us develop a shared approach that supports each organisation to improve the Borough and ensure it remains attractive for businesses to stay and attract new businesses into the borough.

EQUALITIES IMPLICATIONS

- 4.1 The Commission heard concerns regarding community cohesion since the EU referendum results in 2016. There were also concerns regarding the potential of discrimination towards EU residents in the current anti-immigration climate. So far, the Commission has held three roadshows in the community, and facilitated a Council seminar on the EU settlement scheme, in order to inform residents and council staff on their settlement rights. The report also notes recommendations to do more to ensure positive community cohesion in the borough.

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.

5.2 There are no other statutory implications.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 There are 24 specific recommendations included within the commission report to help understand and manage the impact of Brexit. There are no specific financial implications identified within the report and should the need for additional resources be identified, appropriate funding will need to be secured through the Council's budget approval process.

7. COMMENTS OF LEGAL SERVICES

7.1. The main report contains evidence relating to the potential impact of Brexit on this Council's area.

7.2. The Council has the legal power to do anything which is to the benefit of the authority, its area or people resident or present in its area. Therefore, it would be lawful for the Council to undertake the actions detailed in the recommendations.

7.3. Where the Council intends to take any specific actions in respect of any of the broader recommendations then the Council should take into account any equalities issues relevant to that action prior to the decision being taken to carry out the specific action

Linked Reports, Appendices and Background Documents

Linked Report

- None

Appendices

- Appendix A – Impact of Brexit on Tower Hamlets

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- NONE

Officer contact details for documents:

N/A