

# Summary Notes from Brexit Challenge Session

Cllr Ayas Miah (Scrutiny Lead Member for Governance) led a Scrutiny Challenge Session in looking at the impact Brexit could have on Tower Hamlets Council on Thursday 7<sup>th</sup> December 2017.

In total there were 15 attendees (3 Members, 2 Co-opted Scrutiny Members and the rest were Officers).

## **The key questions that the Challenge Session explored and addressed were:**

- 1. What impact could Brexit have on Tower Hamlets as a Local Authority particularly in relation our legal powers and responsibilities?*
- 2. What are the likely challenges and opportunities of Brexit to our workforce, funding for core services and impact this may have on our local residents and regeneration schemes?*
- 3. How could the Council ensure that we develop a comprehensive and proactive plan and approach to mitigating the impact of Brexit?*
- 4. In preparing the Council for Brexit what should be our priority areas of contingency planning and how do we ensure that this is effectively communicated to all our internal and external stakeholders?*

The Challenge Session received brief presentations on the following areas:

- Context of Brexit, for example on local demographics (Community Cohesion and Corporate Research Submission)
- Impact of Brexit on our Legal Power and Responsibilities (Legal Submission)
- Impact of Brexit on our Workforce (HR Submission)
- Impact of Brexit on our core funding (Finance Submission)
- Impact of Brexit on our Development and Regeneration Schemes (Place Submission)

## **Summary of the key issues that were raised at the Challenge Session:**

### **The potential impact of Brexit on the EU migrant Population in Tower Hamlets:**

- The most recent data published by the Office for National Statistics in 2015-16 suggests an estimated 13,800 international migrants moved into Tower Hamlets.
- European migrants now make up 12 per cent of the boroughs population compared to 5 per cent in 2001.
- Tower Hamlets has the fourth highest number of National Insurance registrants in the country. However, the data shows that there has been a gradual decline in the number of registrants falling from 17,642 in 2015/16 to 16,844 in 2016/17.
- Analysis of 2011 Census data shows that in Tower Hamlets the financial, real estate, professional and administrative services, distribution, hotel and restaurant services, and transport and communications sectors are reliant on EU migrant workforce.
- Local third sector organisations supporting migrant, refugee and asylum seeker communities in the borough reported an increase in hate crimes in the period immediately after the vote to leave the EU. Data from the Metropolitan Police showed an increase of 136 per cent in the number of reported incidents for the period between 23rd June 2016 and 31st July 2016 when compared for the same period for the previous year.

### **The potential impact on our Legal and Governance considerations:**

- There will be no real effect on the Council's Powers to Act;
- The current procurement rules are likely to remain intact;
- There may be small opportunities to assist our objectives e.g. speeding up tendering and increased local expenditure, but this will all depend on the final Brexit arrangement and model that the UK government agrees with the EU.

### **The potential impact on the Council's workforce:**

- Potentially more EU nationals leaving the country/fewer coming in – currently insufficient information to make a determination on the impact so far or to project future impact;
- Potential skills losses/shortages, e.g. loss of care workers, nurses etc.;
- Wellbeing issues for all Council staff, including EU nationals – e.g. a reported rise in hate crimes since referendum;
- Impact on the labour market – potentially a reduction in EU nationals in the labour market – knock on impact on recruitment and retention;
- Increased demand and competition for 'talent'.

### **Mitigations include:**

- Ensure the Council is appraised of the latest developments in negotiations for clarity of on areas of potential impact and to allow for action to be taken as appropriate;
- Keep abreast of key issues and leading/latest thinking from HR and Employment Law specialists and assess their local impacts. Ensure communication channels to suppliers and contractors are kept open;
- Identify any areas where support/guidance can be given by the Council to help and support contractors and suppliers.

### **The potential impact on Council funding:**

- ESF Community Employment programme (£1.35m over next 3 years, half of it being funded through ESF), while not likely to be affected this time, will be wrapped up in the future. The programme helps local residents into employment;
- European Regional Development funding revenue and/or capital funds for stimulation of markets, access and employment, supply chains, business start-ups (current prog. £1.6m incl. £25k from Council for enhancing supply chain trade locally);
- Usage of ESF funds (approximately £100k per quarter) in Economic Development area might be at risk; however, these funds are likely to be replaced by s106 monies.

### **The potential impact on the Council's development and re-generation schemes:**

#### **Key Challenges:**

- Council unable to meet its housing supply targets;
- Financial viability, rising construction costs and schemes stalling;
- Confidence in the housing market;
- Diminished infrastructure funds, housing loans from the European Investment Bank and housing association borrowing abilities;
- Construction sector - skills shortages, job losses and reduced employment opportunities;
- Construction sites boarded up – ASB.

#### **Mitigations include:**

- A robust research programme to identify European labour volume and sectors, effects on population and businesses in the borough, steered by Senior Officers;
- Training and support for local residents to access job opportunities;
- Identify early and enact mitigation measures on stalled schemes;
- Discourage stalling of schemes - possible considerations include reducing CIL rates and affordable housing policy and housing mix requirements;
- Keeping abreast of key media messages, understanding details published and impacts, particularly for smaller businesses;
- Horizon scanning - identify areas of potential impact, increase resilience/strengthen response;
- Review the re-distribution of funds to replace lost inward investment – e.g. through grants, loans, co-operatives;
- Increased communications and stakeholder engagement on Brexit;
- Consider and reference Brexit in the development of key partnership and corporate strategies and plans.

### **Headlines for report:**

- There is a lot of uncertainty nationally and it is still not clear what kind of Brexit we will be facing. Until we have the full and final agreed Brexit arrangements in place, it will be difficult to determine the exact local impact.
- This is just the start of the Council's deliberations about the impact of Brexit. For example, the Challenge Session was not able to discuss the impact of Brexit on Tower Hamlets as a place, such as our economic stability and what impact this may have on our attractiveness and competitiveness as a business destination and on communities that call the borough home;
- Whilst these broader issues are already being considered by the Tower Hamlets Strategic Partnership, going forward Scrutiny will want to have further sessions for more detailed and specific discussions, bringing together a wider range of stakeholders;
- The Council needs to be fully prepared for all eventualities (including a "no deal Brexit") and constantly keep abreast of all key Brexit developments, by identifying and reviewing areas of potential impact. This will allow it to increase resilience and develop high level contingency plans that protect our revenue streams, workforce, local regeneration, infrastructure projects and community cohesion priorities.
- The questions and queries raised at the Challenge Session should be noted and written responses provided to the lead Member within the next two weeks so they can be included in his report.

### **Draft Recommendations:**

- The Brexit Scrutiny work should be carried over into 2018/19 and be picked up by the new Overview & Scrutiny Committee after May 2018.
- There needs to be urgent discussions with the various political party groups and their leaderships to ensure consensus and to agree terms of reference for setting up a cross-party "Tower Hamlets Brexit Task Force" with the Mayor, Senior Officers and relevant partners. This Task Force will regularly assess the progress of Brexit and its likely implications for Tower Hamlets Council and our wider community.
- The scrutiny work programme looking at the impact of Brexit should be split into three areas:
  - 1) Impact on the Council, core funding and services for residents
  - 2) Impact on the local economy and development and growth
  - 3) Impact and opportunities for local communities
- The discussion and consultation with local community groups, residents and businesses needs to be carefully planned, community facing and publicly accessible.
- The formation and timetabling of the Brexit Task Force should be done as soon as possible to ensure a coherent and manageable work programme and to avoid diary clashes.
- The Council should consider commissioning an independent and robust research programme and produce a local impact report of Brexit which includes a detailed analysis of each of our core services and operations and takes into account equalities impact assessment.
- Based on these detailed research reports the Council should develop a high level Contingency Plan to protect our revenue streams, workforce, local regeneration, infrastructure projects and community cohesion priorities.
- Brexit should feature in our Community Plan and all our strategic and risk management plans going forward.
- The Council should proactively seek out and respond to all direct and indirect opportunities for Tower Hamlets Council to communicate and represent Tower Hamlets interests in the Brexit process.