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Len Duvall OBE AM

Chair of the EU Exit Working Group

Sadiq Khan

Mayor of London

(Sent by email)

6 March 2021

Dear Sadiq,

Key issues for London following the final meeting of the EU Exit Working Group

On 26 January 2021, the London Assembly EU Exit Working Group met for the final time to discuss the Brexit deal and its effect on London. The Working Group heard from a number of experts across a range of sectors. Many of the experts we heard from were in agreement that a no-deal would have been the worst-case scenario for their sector and for London, and the avoidance of that outcome was without doubt positive. It was also clear that, for many of the sectors we heard about, it is currently quite difficult to separate out the effects of the COVID-19 pandemic from the emerging impact of the Brexit agreement. However, the Working Group did hear some key messages which we think it important for you to be aware of.

Musicians and touring artists

Maddy Thimont-Jack, Associate Director at the Institute for Government, highlighted to the Working Group that the Free Trade Agreement does not include a standard mobility chapter for musicians and touring artists. The likely consequence of this is that touring in Europe for British musicians, and touring in Britain for Europe's musicians, will become more costly and administratively burdensome. With live music accounting for around 20 per cent of the £5.8 billion contributed to the UK's economy by the music industry,¹ and London's cultural offer

¹ [Brexit: UK government music touring proposals were 'rejected by the EU'](#), BBC News, 30 December 2020

greatly enriched by the touring of international artists, the Working Group would like to see more action taken to address this key ongoing issue, given the particular importance of the live music sector for London.

Recommendation

1. The Mayor should lobby the Government to put in place arrangements that would allow musicians to continue to tour freely between the UK and Europe.

The health and care sector

The Working Group heard from Martin Machray, NHS Incident Director and joint Chief Nurse, and Peter Boorman OBE, Head of Emergency Preparedness, Resilience and Response at NHS England. The primary area of concern relayed to the Working Group was the possible long-term impact of immigration rules on the workforce. Across NHS trusts there was a shortage of almost 100,000 staff (nine per cent of posts) in October 2019, impacting nurses, some doctors, allied professionals and care staff. Similarly, vacancies in adult social care were at 122,000 in October 2019, with around nine per cent of roles unfilled. International staff are key to the healthcare workforce; currently, 5.6 per cent of the NHS workforce and seven per cent of the adult social care sector come from the EU.² The demand on the sector is likely only to grow. It is expected that there will be 14.5 million people aged over 65 by 2035, which is 44 per cent more than there were in 2017. To cope with that rise, the charity AgeUK estimates that around 650,000 extra care jobs will be needed.³

Mr Machray was confident that the new points-based immigration system and the EU Settled Status scheme meant that skilled positions within the NHS would not experience a loss of workers from the EU. This is corroborated by investigation from the fact checking organisation fullfact.org into the impact of the new visa system on healthcare workers; the conclusion of which is that, although the system is not static and the Government can adjust requirements for obtaining a work visa, as it currently stands, healthcare workers (including doctors, nurses and technicians) would qualify for a visa. Mr Machray did, however, raise concerns about ancillary staff and 'unskilled' jobs, with most care assistants, due to the average salary of such a role and level of qualification needed, likely not qualifying for a visa.⁴ It was noted that work was underway in human resource departments in the NHS in response to this issue.⁵

Recommendation

2. The Mayor should report back to the Working Group on how he is monitoring, in collaboration with partners on the London Health Board, the ongoing workforce implications of the new immigration rules, with particular regard to those health and care sector posts that are defined as 'unskilled'.

Construction

Graham Watts OBE, Chief Executive of the Construction Industry Council, explained to the Working Group that the relationship with Europe was particularly important to the construction industry in the UK, due to the supply of materials and labour. He highlighted that, even before the deal was reached on Christmas Eve, there were already serious supply chain issues facing the industry. He also told the Working Group that there were 'gaps' in

² [Brexit: the implications for health and social care](#), The King's Fund, 31 October 2019

³ [Brexit could worsen broken care system](#), Age UK, 4 November 2020

⁴ [Most of these NHS jobs are classed as "skilled" under new immigration rules](#) Fullfact.org

⁵ [Appendix 3 National Health Service](#), Transcript, 26 January 2021

the deal, but that “we do not know what the impact of those gaps are going to be yet.”

Graham Watts spoke to the Working Group about the long-term impact on the workforce due to changes to the immigration rules. Around 37 per cent of London’s construction workforce comes from EU countries. The new points-based immigration system is likely to exclude roles such as general labourers. This could slow down planned construction in the capital, if there are not enough workers to complete projects. It could also raise the cost of construction, if the balance of workforce demand and supply is altered.⁶ Mr Watts stated that European nationals comprised a very large proportion of some specific jobs in the construction industry, such as dry lining.

Mr Watts emphasised that the construction industry is made up of many small and medium-sized enterprises (SMEs), which may need to help in navigating and adapting to the changes in regulations.⁷ In particular, the sector will require assistance in understanding the rights and status of their European workforce ahead of 30 June, as we outlined to you in our letter of 17 February.⁸

Recommendation

3. The Mayor should work with industry leaders to ensure that London’s construction industry – and in particular its SMEs – are adequately informed of forthcoming changes to immigration rules.

Financial Services

There has been concern about the impact of the deal on the financial sector, with the Prime Minister himself admitting that for financial services, the deal “...does not go as far as we would like”.⁹ Much of this concern has focussed on the issue of equivalence; the means by which the EU determines whether the regulations in a third country, in this case the UK, can be deemed equivalent. The Working Group heard from Chris Bates, Head of Financial Regulation Practice at Clifford Chance, who stated that it would be important for the sector that the UK and EU continued discussions on equivalence.

However, Mr Bates also suggested that while equivalence was important, it was also important to focus on what decisions the UK makes regarding the future of financial regulations. He explained that he thought it extremely unlikely for there to be a “bonfire of regulation” following the deal, and that for London’s financial services to continue to be a world leader it would be important for London to retain its strong regulations.¹⁰ He also echoed comments made by Catherine McGuinness, Chair of the Policy and Resources Committee at the City of London Corporation, that for the financial sector it will be vital for London to remain an attractive place to visit, to live and to do business.

Recommendation

4. The Mayor to report to the London Assembly on how he is working with partners to ensure London remains an attractive place for people to visit, live and do business, and explain how elements of this are targeted specifically at ensuring the prosperity of the financial sector.

I would be grateful to receive a response to our findings and recommendations by 17 March 2021. Please send your response by email to the Working Group’s clerk Lauren Harvey (Lauren.Harvey@london.gov.uk).

⁶ [The Impact of Brexit on the Construction Industry - an overview](#), Lexology

⁷ [Appendix 4 The Construction Industry](#), Transcript, 26 January 2021

⁸ [EU Exit Working Group letter to the Mayor](#), 17 February 2021

⁹ [Boris admits Brexit deal is limited for financial services](#), Financial Times, 27 December 2020

¹⁰ [Appendix 6 Financial Services](#), Transcript, 26 January 2021

Yours,

A handwritten signature in black ink, appearing to read 'Len Duvall', is centered on a light gray rectangular background.

Len Duvall OBE AM

Chair of the EU Exit Working Group