

## **Report to COUNCIL**

# **European Union Referendum Update**

### **Portfolio Holder:**

Councillor Sean Fielding, Council Leader

**Officer Contact:** Helen Lockwood, Deputy Chief Executive,  
People and Place

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### **Reason for Decision**

Following the UK referendum on continuing membership of the EU held on 23<sup>rd</sup> June 2016, the implications of the “leave” result are now better understood.

This report provides an update following the publication of the latest GMCA Brexit Monitor report (30<sup>th</sup> November 2018 - see Appendix 1).

### **Executive Summary**

The report references the latest analysis from the GMCA Brexit Monitor. It reviews the timeline as the Brexit negotiations move into the final stages. Since the report was published the Government has begun the process of trying to get approval for the Withdrawal Agreement with a vote scheduled for 11<sup>th</sup> December 2018.

The report sets out the key aspects of the Withdrawal Agreement which includes the Financial Settlement, Citizen Rights, Transition period, and the Northern Ireland protocol or “backstop”.

The Brexit Monitor examines the impact of Brexit on the Economic function. In November the report

Brexit Monitor reports that Gross Domestic Product has grown to 0.6% between Q2 and Q3 (this is in below the pre-Brexit predicted 2.1%).

### **Recommendations**

Council is asked to discuss and note the content of this report.

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## 1.0 Background

- 1.1 Following the UK referendum on continuing membership of the EU held on 23rd June 2016, the implications of the “leave” result have been widely discussed and negotiations are now entering into the final phase as to the type of deal the UK and EU will support.
- 1.2 Since the result, the Greater Manchester Combined Authority has been producing a monthly Brexit Monitor report, which is a monthly publication which examines the key political elements of the Brexit process, and reviews key economic indicators to understand if the process is having an impact on current economic conditions.
- 1.3 This report sets out a summary of the implications of leaving the EU on Oldham’s economy and Greater Manchester based on this report (see Appendix 1)

## 2. Brexit Monitor Key Headlines

- 2.1 The November reports the Cabinet sign off of the Withdrawal Agreement (which since the report was written has now been signed off at the EU Summit). The next milestone will be the vote by MPs on the 11<sup>th</sup> December. Recent coverage and political analysis suggests that this vote might not be won by the HM Government.
- 2.2 The withdrawal agreement includes key aspects such as the financial settlement (c. €40-45bn), maintaining citizen rights for those in the UK and within the EU. The Irish Border and backstop protocol, customs union and Governance and the transition period.
- 2.3 The Monitor has reported on the impact on the UK’s economic well-being. The latest report states that the growth expectations have been pegged back because whilst there has been a minor UK GDP growth of 0.6% between Quarter 2 and Quarter 3, recent business surveys show that there is a slowdown in UK manufacturing and the overall UK economy is below the 2.1% pre-Brexit predictions but the real impact cannot really be felt or predicted until Brexit has completed. Recent reports predict that all forms of exit strategy will have a negative economic impact (ranging from -2.5% to -9.5%) and the latest paper to GMCA Overview and Scrutiny committee proposes that if the exit is a “hard Brexit”, leaving on World Trade Organisation rules then the impact will be as high as 12% for the North West.

## 3.0 Implications/Next steps for Greater Manchester.

- 3.1 The Brexit Monitor, and subsequent update to GMCA Overview and Scrutiny committee, raises the assurances that GM wants from HM Government. Specifically in relation to how the Government will replace the various EU funded schemes e.g, European Social Investment Fund and European Regional Development Fund. The Government published its aim to replace the funds with the UK Shared Prosperity Fund. GM is seeking to gain agreement as to how this will operate in GM. Primarily multi-year funding (current EU programmes are 3-5

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years in duration vs shorter time scale funding agreements from HM Government – e.g. Adult Skills Budget only agreed on an annual basis). A place-based budget, using outcomes not outputs – this is inline with current GM programmes, with lobbying for funding levels to be at least at the same level of funding (ideally more – currently £645.50m over 7 years).

#### 4.0 What does Brexit mean for Oldham and Greater Manchester?

- 4.1 As stated in the December 2017 report, “Whilst the narrative on which areas are likely to lose (or lose out the most) depending on the level of dependency of key employment sectors on both trade with and immigration from the EU, history tells us that areas with high skills levels, strong social infrastructure and sectors of employment that are quick to adapt to technological change are likely to recover and adapt. This is most evident for the financial crisis and recession of 2007/8 (which saw London and the South East hit hardest before recovering much more strongly than other areas of the UK)”.
- 4.2 The November Brexit Monitor reports that all the key “exit” scenarios see a reduction in wealth with greater impact felt in the NW and GM than the UK average. “The Government’s analysis forecasts UK GDP over 15 years would be: 1.5% lower if the UK remains a member of the EU’s single market; 5% lower if a free trade deal is agreed; and 8% lower if the UK leaves the EU without a deal and reverts to WTO terms. But the equivalent figures are 2.5%, 8% and 12% for the North West. This equates to the GM economy losing between £2.5bn and £12bn in cumulative growth by 2035, compared with remaining in the EU”
- 4.3 The biggest risk to areas in Greater Manchester, Oldham and across the UK will be that existing inequalities are exacerbated by shocks to trade, industry and employment as a result of exiting the EU. It is imperative that the Shared Prosperity fund is provisioned to underpin services that will support business and employment support and growth in productivity.

#### 5.0 Greater Manchester priorities for Government

- 5.1 The UK’s departure from the EU creates risks and opportunities for delivering the priorities of authorities such as GMCA, as they look to raise productivity and improve services. Meeting these will depend on close partnership working between central Government and local authorities. Key points from this evidence are:
- **Greater Manchester supports the Government’s approach of developing a Local Industrial Strategy**, which will set out clear objectives to increase productivity and will aim to provide greater stability for national and local economies through the Brexit transition and ensure that prosperity is shared. For example, the Strategies need to ensure that:
  - **The skills system can respond to changes in the labour supply caused by leaving the EU**, ensuring that businesses are able to continue to access the workforce they need and residents are able to find jobs which are well paid and secure. In Greater Manchester this means better integration of post-16 skills through approaches to planning, accountability and delivery which are jointly developed between Greater Manchester and the Government so that they are more responsive to our businesses. This is linked to the devolution of the Adult Education Budget.
  - **The infrastructure is in place – particularly transport, housing and digital** – which can support businesses to develop innovative services and products in order to be globally competitive, supporting prosperity across the Northern

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Powerhouse and beyond. This will include the roll out of 5G and Gigabit Broadband over the next 3 years.

- **Global economic ties are broadened and deepened** and the Department for International Trade works with city regions (and a Northern Trade Board) on the co-commissioning of support to business and the attraction of inward investment.

6.0 **Options/Alternatives**

6.1 The report is for information.

7.0 **Preferred Option**

7.1 N/A. The report is for information.

8. **Consultation**

8.1 N/A

9 **Financial Implications**

9.1 N/a

10.0 **Legal Services Comments**

10.1 No Legal comments: Paul Entwistle, Director of Legal

11.0 **Co-operative Agenda**

11.1 N/A

12.0 **Human Resources Comments**

12.1 N/A

13.0 **Risk Assessments**

13.1 N/A

14.0 **IT Implications**

14.1 N/A

15.0 **Property Implications**

15.1 N/A

16.0 **Procurement Implications**

16.1 N/A

17.0 **Environmental and Health & Safety Implications**

17.1 N/A

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18.0 **Equality, community cohesion and crime implications**

18.1 N/A

19.0 **Equality Impact Assessment Completed?**

19.1 No

20.0 **Key Decision**

20.1 No

21.0 **Key Decision Reference**

21.1 N/A

22.0 **Background Papers**

22.1 N/A

23.0 **Appendices**

- GM Brexit Monitor November