Oldham Borough Council

Council Meeting
Wednesday 23 May 2018

OLDHAM BOROUGH COUNCIL

**To: ALL MEMBERS OF OLDHAM BOROUGH COUNCIL,
CIVIC CENTRE, OLDHAM**

Tuesday, 15 May 2018

You are hereby summoned to attend a meeting of the Council which will be held on Wednesday 23 May 2018 at 12 noon in the Council Chamber, Civic Centre, for the following purposes:

1 To receive apologies for absence

2 To elect the Mayor for the 2018/19 Municipal Year

3 To elect the Deputy Mayor for the 2018/19 Municipal Year

(At this juncture the Mayor will adjourn the meeting for lunch. It is anticipated that the meeting will reconvene at 3.30pm.)

4 To order that the Minutes of the meeting of the Council held on 28th March 2018 be signed as a correct record (Pages 1 - 36)

5 To receive declarations of interest in any matter to be determined at the meeting

6 To deal with matters which the Mayor considers to be urgent business

7 To receive communications relating to the business of the Council

8 To note the report of the Returning Officer on the results of the Local Elections on the 3rd May 2018 (Pages 37 - 38)

9 Appointment of Leader of the Council (Pages 39 - 40)

10 Appointment of the Deputy Leader, Cabinet Members and Deputy Cabinet Members, allocation of portfolios and delegation of Executive Functions

To follow.

11 Opposition Nominations to the Shadow Cabinet 2018/19

To follow.

12 Appointment to Committees and Composition of Political Groups 2018/19

To follow.

13 Appointments to Outside Bodies 2018/19

To follow.

14 Council meetings and Municipal Calendar 2018/19 (Pages 41 - 58)

a) To confirm that the meetings of the Council will be held on the undermentioned dates during the 2018/19 Municipal Year, commencing at 6.00pm unless otherwise shown:
11th July 2018
12th September 2018
7th November 2018
12th December 2018
27th February 2019 (Budget)
20th March 2019

b) To approve the calendar of meetings for the 2018/19 Municipal Year.

15 Notice of Administration Business

None received.

16 Notice of Opposition Business

None received.

17 Constitutional Amendments (Pages 59 - 64)

18 Members Allowance Scheme 2018/19 (Pages 65 - 68)

19 European Union Referendum - Impact on Oldham and Greater Manchester (Pages 69 - 196)

Carolyn Wilkins
Chief Executive

PROCEDURE FOR NOTICE OF MOTIONS
NO AMENDMENT

MOTION – Mover of the Motion to MOVE

↓

MOTION – Seconder of the Motion to SECOND – May reserve right to speak

↓

DEBATE ON THE MOTION: Include Timings

↓

MOVER of Motion – Right of Reply

↓

VOTE – For/Against/Abstain

↓

Declare outcome of the VOTE

RULE ON TIMINGS

(a) No Member shall speak longer than four minutes on any **Motion or Amendment**, or by way of question, observation or reply, unless by consent of the Members of the Council present, he/she is allowed an extension, in which case only one extension of 30 seconds shall be allowed.

(b) A Member replying to more than question will have up to six minutes to reply to each question with an extension of 30 seconds

WITH AMENDMENT

MOTION – Mover of the Motion to MOVE

MOTION – Seconder of the Motion to SECOND – May reserve right to speak

AMENDMENT – Mover of the Amendment to MOVE

AMENDMENT – Seconder of the Amendment to SECOND

DEBATE on the Amendment
For Timings - (See Overleaf)

AMENDMENT – Mover of Original Motion – Right of Reply

AMENDMENT – Mover of Amendment – Right of Reply

VOTE ON AMENDMENT ONLY – For/Against/Abstain – CARRIED/LOST

IF CARRIED – Declare Carried

Call for any debate on Substantive Motion as Amended and then Call upon Mover of Original Motion – Right of Reply

VOTE – ON SUBSTANTIVE MOTION as amended - For/Against/Abstain

Declare Substantive Motion as amended Carried/Lost

IF LOST –Declare Lost

Call for any debate on Original Motion and then Call upon Mover of Original Motion – Right of Reply

VOTE – On Original Motion – For/Against/Abstain

Declare outcome of the Vote

COUNCIL
28/03/2018 at 6.00 pm

Present: The Mayor – Councillor Qumer (Chair)

Councillors Ahmad, Akhtar, A. Alexander, G. Alexander, Ali, Azad, Ball, Bates, Briggs, Brock, Brownridge, Chadderton, Chauhan, Cosgrove, Dean, Fielding, Garry, Gloster, Goodwin, Haque, Harkness, Harrison, Hewitt, Hudson, A Hussain, F Hussain, Iqbal, Jabbar, Jacques, J Larkin, Malik, McCann, McLaren, Moores, Murphy, Mushtaq, Phythian, Roberts, Salamat, Sheldon, Shuttleworth, Stretton, Sykes, Toor, Turner, Ur-Rehman, Williamson, Williams and Wrigglesworth

1 **CIVIC APPRECIATION AWARD**

A presentation took place for Reverend Jean Hurlston in recognition of her outstanding service and dedication to Oldham.

Councillors Stretton and Sykes gave congratulatory speeches to Rev. Hurlston.

Rev. Hurlston was then presented with her award and made a short acceptance speech to the Council.

2 **QUESTIONS TO CABINET MEMBERS FROM THE PUBLIC AND COUNCILLORS ON WARD OR DISTRICT ISSUES**

The Mayor advised that the next item on the agenda in Open Council was Public Question Time. The questions had been received from members of the public and would be taken in the order in which they had been received. Council was advised that if the questioner was not present, then the question would appear on the screens in the Council Chamber.

The following questions had been submitted:

1. Question received from Syed Maruf Ali via email and Facebook:

“Can you please raise this question at the full council meeting. There seems to be an endemic problem of Fly-Tipping in Coppice/Werneth/Primrose Bank and I'm not sure if anyone have been prosecuted to date in Werneth Ward? It's not difficult to gather evidence from the rubbish that is dumped to link it back to the culprits. I think it's crucial that the Council is prepared to prosecute and then publicise it in the local media to deter others. Once someone is prosecuted in Werneth Ward, the word would soon spread. The policy of ‘Naming and Shaming’ has worked in other local authority areas. A short walk around Coppice and it is easily noticeable that a significant number of alleyways are affected by fly-tipping. It's almost as if the culprits believe that it is normal to dump their rubbish on alleyways or that there is a perception that they can do it with impunity as the chances of being prosecuted is so small. I think the key is for the Council to send out a message to the Community of zero tolerance if they are serious about addressing this issue. To my knowledge there's hasn't been anyone prosecuted for Fly-Tipping from the Coppice/Werneth and Primrose area, however there has been prosecution in other wards. As with a lots of things, I know the Council works hard at resolving issues which the public aren't always aware of. I think the new reporting system is a great idea, but this needs to be followed up with more awareness and communication with the Local Community. Maybe a leaflet can be distributed at local Mosques / Churches and Imams playing their part in informing residents etc will help .Can I ask what the value of the Fixed Penalty Notice (FPN) is or is it dependant on the individual case? Maybe it's one for Cllrs to review and see if an increase would be more effective. I understand that there is a range of fines that Local Authorities can impose up to a max of £400. The current FPN fine is £80, or £50 if paid within the first two weeks. I'm sure all of us would agree that £50 fine isn't much of a deterrent and needs to be increased significantly to be effective. Just a thought - before the budget cuts began, I'm sure the Council use to provide a free bulk collection service whereas now there is a charge of £17 for up to three items, so someone clearing a house, it would obviously cost them a lot more. I'm just wondering if there's any mileage in considering bringing the free service back and the costs recouped from increased penalty charges. At the moment it must be costing the Council more in increased call out to fly tipping incidences, therefore if the costs of providing a free service can be offset with increased penalty charges and less call out for fly tipping, then I think a viable argument could be made. Thoughts ??"

Councillor Brownridge, Cabinet Member for Neighbourhoods and Cooperatives responded that there had been a number of prosecutions in Werneth and the surrounding area. The enforcement team checked flytipping on site for evidence. There were many occasions where no evidence was found that enabled a fixed penalty notice to be issued. There was publicity via social media and via press release. Naming and shaming was possible for convicted offenders but this was not possible where a fixed penalty was issued as this alone was not proof of guilt. It was agreed that the dumping of waste was an eyesore and totally unacceptable. Anyone who had information was asked to report it. There was a lot of work and awareness raising with the local community and the ideas in terms of working with local mosques and churches was appreciated. The penalty charge would be reviewed. In respect of the removing the charge for bulky waste, this would not cover the costs and other considerations to be taken into account. Dumped waste was not bulky in nature and just general waste and when clearing a house, this was part of the cost of the landlord operating a business and would be regarded as trade waste and it was not appropriate to subsidise that service.

2. Question received from Chris Ackroyd via email:

"It has been reported in the media that Shaw and Crompton Parish Councillor Shaun Duffy has allegedly taken charity money from the Mayor of Oldham. Would Oldham Council confirm that they are aware of such an allegation and what action is Oldham Council taking?"

Councillor Stretton, Leader of the Council and Cabinet Member for Economy and Enterprise responded that it would be inappropriate to comment at this stage so as not to potentially jeopardise any police investigation.

3. Question received from Ms. Donna Gould via email:

"As this is Councillor Warren Bates's last meeting would the Council Leader answer a couple of questions please? Apparently Cllr Bates put on his election material that if elected he would donate half of his allowance to charity could I ask if he has done this in his time in office? In addition he also put forward a motion in which he called on councillors to have their allowances reduced by 50% the motion was lost but Cllr Bates being a man of principle and the first to attack council officers for their pay did he voluntarily reduce his by 50%? if he did not 'In my opinion' I believe this is wrong."

Councillor Stretton, Leader of the Council and Cabinet Member for Economy and Enterprise responded that during his term of office Councillor Bates had received his allowance but that Council was not privy to that information and invited Councillor Bates to respond. Councillor Bates explained that under data protection it was private money, if he personally contributed to charities, that was no one's business.

4. Question received from Hazel Gloster via email:

"Can I ask the relevant Cabinet Member to place pressure upon TfGM to ensure that Metrolink platforms and car parks are adequately gritted during periods of sub zero temperatures. As a witness to a lady suffering an horrific fall on the ramp at Shaw and Crompton Metrolink tram stop due to sheet ice on the ramp, compounded by a car park that would have served as a makeshift skating rink, it was evident that no gritting had taken place despite TFGM's assurances that gritting does take place."

Councillor F. Hussain, Cabinet Member for Environmental Services responded that the TfGM's Metrolink had been contacted regarding this issue. Full details were provided on their approach for winter preparation which included the Metrolink operator, KAM, reviewed the forecast twice daily, ice breaker trams deployed overnight and teams deployed through the evening to grit and clear the snow from all customer areas of the network. It was possible, however, for grit to be washed away and become less effective if it rained after it has been laid. Logs were kept of all gritting activities each day and KAM would like to investigate the incident at Shaw and Crompton. The lady involved has been contacted to see if she was willing to provide further details to TfGM.

5. Question received from Louis Hamblett via email:

"With the latest report stating that London's and the South East housing market is in decline and that the shift is now on the North particularly the North West could the relevant cabinet member tell me what the administration is doing to ensure that any new builds are affordable meaning that they are in line with current prices and that areas will not be gentrified to out price residents in the area as is the current trend with London, Birmingham and Manchester."

Councillor Brownridge, Cabinet Member for Neighbourhoods and Cooperatives responded that Affordable Housing was defined by Central Government as 'social rented, affordable rented and intermediate housing provided to specified eligible households whose needs were not met by the market'. Intermediate housing offered people on low wages a chance to get their foot on the housing ladder through models such as Shared Ownership or Rent to Buy. A balance needed to be struck in order for affordable housing provision to be sought from as many developments as possible without adversely affecting the viability of the development. It was therefore considered that the target of affordable housing provision should provide an opportunity for the specific circumstances of a development proposal, which included location, impact on regeneration, objectives and site specific issues to be considered on a site by site basis. In Oldham, the affordable housing target was 7.5% of the total development sales value. Partners were currently working on site on a number of significant schemes at the moment delivering over 200 new affordable homes. This included Great Places building 42 new affordable homes as part of a larger development at Rose Mill. First Choice Homes Oldham were on site delivering 156 new affordable homes at sites in Royton, Sholver, Derker and Bardsley.

6. Question received from Stephen Kenyon via email:

"Is there any point in making a complaint about Oldham council or it's councillors as, from my experience, it will just be ignored and/or swept under the carpet?"

Councillor Stretton, Leader of the Council and Cabinet Member for Economy and Enterprise responded that complaints against members were taken very seriously and were considered in accordance with the process approved by Council and the Standards Framework in the Localism Act. It was not accurate to say that complaints were swept under the carpet as there were many examples where investigations following complaints had been undertaken. The Council took all complaints seriously and each complaint was considered according to the regulations that applied, for example, corporate complaints were considered under the process set out within the Local Government Act 1974. The Council received and considered around 1250 formal complaints each year. Of all the complaints received, approximately 45% were upheld. Where complaints were upheld, the council sought to apply service improvements to help ensure that the same problems did not rise again for others. For this reason principally, the council saw complaints from residents as a key way to listen and change on the basis of what people told us about the services provided. The Council's Complaints team could be contacted at 0161 770 8122 or at customer.feedback@oldham.gov.uk. If the complainant was not happy with the decision there was recourse to the Local Government Ombudsman.

7. Question received from Steve Kessell via Twitter:

"Are you intending on refurbishing the thoroughly disgusting Oldham Market public toilets, or are you quite satisfied with the present conditions?"

Councillor Stretton, Leader of the Council and Cabinet Member for Economy and Enterprise, responded that the toilets were starting to show their age. There was a commitment to make Tommyfield Market an attractive and welcoming place for shoppers and that work was shortly to get underway to improve toilet provision and this should be started at the start of summer. It had been announced that Tommyfield Market would be redeveloped over the next few years at outlined in the Town Centre Master Plan. Modern toilets would be installed in the temporary as well as the new Market Hall.

At this point in the meeting, the Mayor advised that the time limit for this item had expired.

The Mayor reminded Members that the Council had previously agreed that questions would be taken in an order which reflected the political balance of the Council. The following questions were submitted by Councillors on Ward or District matters:

1. Councillor Chadderton asked the following question:

   "I welcome the £6.2 million being invested by Oldham Council to improve the roads across the borough including, for example, resurfacing St Phillips Drive in Royton South. However, the recent severe weather has worsened the condition of many roads and the LGA estimates that £12 billion is needed across the UK to deal with repairs. Can the Cabinet Member for Transport tell me what further steps are being taken to improve roads such as Perth Street in Royton South?"

   Councillor F. Hussain, Cabinet Member for Environmental Services responded that the £6.2m investment programme was designed to make a substantial impact to improving the roads across the Borough, but ideally significantly more investment would be required in the future for all roads in the Borough to be improved to that similar overall standard. This meant that the programme of schemes actually being carried out within the £6.2m investment programme had gone through a detailed prioritisation process which included a number of factors from a much longer identified condition list of all roads in the Borough. This overall condition list was constantly updated according to seasonally changing road condition and priorities were revised accordingly, helping to inform future programmes of works according to possible available funding levels. Members would receive information as to which roads would be included in their wards.

2. Councillor Toor asked the following question:

   "I am concerned about the practices of some of the developers who are building homes in Oldham: roads, footways, and open spaces can be left in an incomplete or substandard condition for many years after the development has been occupied. Examples include Borough Mill Triangle Development and adoption of open space on Neild Street, which is just being transferred to the Council as Countryside Homes have been unable to deliver the site to a required standard for over 3 years. I would like the Council to have robust procedures including binding deadlines in place with regards to highways, streetlights, and green spaces when: negotiations with developers take place; planning applications are made, and section 38 agreements are reached. Should deadlines be missed or work fails to reach the required standard, the developer should be penalised financially. Please can you advise us on what action we will take to rectify the ongoing issues and what we will do to ensure that these delays do not happen in the future?"

Councillor Brownridge, Cabinet Member for Neighbourhoods and Cooperatives responded that the issues referred to existed as part of the S.38 process where there would be financial security that the Council could call upon if and where required. The issues experienced previously such as incomplete or substandard works had been due to one of many factors for example, the developer had not signed their S38 agreement but had decided to carry out all or parts of the work at risk; the developer had carried out works which contradicted approved Highway drawings; the works had been completed to a substandard condition; the developer had utilised land to construct the highway that was not within their ownership and/or other associated factors which had not been adequately considered by the developer. The Council could not prevent a developer from working on their own land at risk nor is the Council obligated to adopt a new highway by default. The Council could request that any unsatisfactory works were rectified prior to being considered for adoption and this was generally what caused delay in completion. There were many reasons why developers completed works at risk, predominantly though due to the need to meet target completion and handover dates for dwellings. Care needed to be taken to ensure that handover dates applied to developers were not pursued such that one didn't take precedent over the highways work completion. Minor changes to the S38 procedure had been identified to encourage developers to follow the procedure correctly. These changes would be presented to the Council in due course. Public Open Space (PoS) was not specifically related to Highway Adoption. PoS was adopted and maintained separately with the exception of any footpaths.

3. Councillor McLaren asked the following question:

"It has been pleasing to see that FCHO are carrying out a scheme of work to improve their properties in the Taylor Street area of Chadderton Central Ward. It would be much appreciated if the Cabinet member responsible for housing could advise on the nature and extent of the work being undertaken, how long the programme of work will take to complete and whether any thought was given to the possibility of allowing owner occupiers to buy into the scheme so that they too could benefit from the purchasing power of a large organisation, for items such as gates and fences."

Councillor Brownridge, Cabinet Member for Neighbourhoods and Cooperatives responded that the works being undertaken in the area were a FCHO environmental scheme and included front and rear fencing, gates and flagging. The work was undertaken on a need basis so existing components if they were in good condition were not necessarily replaced, therefore the exact schedule of works would vary on a property to property basis. Private residents could avail themselves of the products and services used on the scheme, however, to avoid any conflict with FCHO's charity status this needed to be done through a direct arrangement with the contractor. Residents had been contacted prior to the commencement of the works. The contract in Central Chadderton was scheduled to be completed in the next few days, however, the works would be moving to North Chadderton where works would continue until December and the offer to private residents in Central Chadderton would remain open until that time.

4. Councillor Gloster asked the following question:

"Residents of Shaw and Crompton joining the tram often experience incidents of crime and anti-social behaviour being committed by a small irresponsible minority who think nothing of terrorising and intimidating their fellow passengers. Now with three brutal attacks on individuals at or near Metrolink tram stops across Oldham in recent days - an attempted murder by three youths of a man at Freehold and hammer attacks at the Oldham King Street and Derker stations - this situation has gone from bad to worse. Many of my constituents, and those of my ward colleagues in Crompton, are growing increasing fearful about the advisability of travelling by tram when it appears to be such a frightening prospect. I am sure that many will now be inclined to take to their cars, go by bus or simply not contemplate the journey. Can the Leader or responsible Cabinet Member please outline the steps that are now being taken by the relevant authorities to apprehend these offenders and what is going to be done long-term to make travelling by Metrolink tram safe again?"

Councillor Brownridge, Cabinet Member for Neighbourhoods and Cooperatives responded that the Council was working closely with Greater Manchester Police in addressing the issues related to the attacks on and around the Metrolink system. People had been arrested and charged. In the short term, the Metrolink Travel Safe Unit and local neighbourhood policing teams were targeting additional staff on the Metrolink line through Oldham, particularly around places which were hotspots for crime and anti-social behaviour. This was being supported by the Council's Community Safety Officers and detached youth team. Further targeted operations were also planned. The Leader of the Council had written to the Chief Constables and the Mayor of Greater Manchester asking for an urgent meeting to ask what could be done with the unacceptable situation.

5. Councillor Roberts asked the following question:

"At the March meeting of Royton's Community Forum, a resident raised the issue of how policing priorities were set in Royton. Could the Cabinet Member for Neighbourhoods please tell us what influence both we as a council as well as residents have over how the GM Mayor sets policing priorities?"

Councillor Brownridge, Cabinet Member for Neighbourhoods and Cooperatives, responded that the Greater Manchester Mayor had published his first plan, Standing Together, for the police, criminal justice services, community safety and the people who live in Greater Manchester. This had put the emphasis on the individual citizen. There had been a full and thorough consultation process that had incorporated the views of community and voluntary groups, supports services and local people. There had also been extensive engagement with people who used the services and also those who provided them including all ten authorities across Greater Manchester. All responses received during the consultation had helped to shape the three priorities set out in the plan.

6. Councillor Briggs asked the following question:

"Under the Community Support Officers Designated Powers, as defined in Schedule 4 of the Police Reform Act 2004. Police Community Support Officers (PCSOs) have Standard National Powers. According to the act there are twenty categories of power that PCSOs have. Could the cabinet member responsible please provide me with data as to how many times in the last 12 months have the PCSOs who operate within the Failsworth and Hollinwood District Executive Area exercised these powers in each of the twenty categories."

Councillor Brownridge, Cabinet Member for Neighbourhoods and Cooperatives responded that Police Community Support Officers (PCSOs) had 20 standard powers which included, for example, issuing certain fixed penalty notices and requiring individuals to supply their name and address if they believed they had committed an offence. Greater Manchester Police were not able to provide a breakdown of how many times in the 12 months the powers had been used in the Failsworth and Hollinwood area. Officers were seeking additional clarification from Greater Manchester Police about the extent to which the various powers were used, even if the question could not be answered exactly as requested. Information would be provided when it was available.

7. Councillor Mushtaq asked the following question:

"Queens Road has a number of care homes caring for a significant number of elderly people. During times of adverse weather including the recent Beast from the East the road, like many others becomes very difficult to negotiate. I received several calls informing me that ambulances that had been called out to a care home were stuck. It took fantastic local residents who pushed the ambulance up the road to enable the paramedics to do their job. I'd like to thank the residents and ask if a separate cold weather strategy should be in place for Queens Rd given the number of care homes which frequently call out an ambulance."

Councillor F. Hussain, Cabinet Member for Environmental Services responded that Oldham Council gritted its highway network on a priority basis. In events of severe snowfall it was essential that the Council worked continuously to keep the priority routes opened to ensure that as far as reasonably practical, traffic could continue to move throughout the Borough. The Council took a strategic approach by gritting in routes which ensured that the journey destinations remained accessible. By widening the approach to cover care homes (of which there were many similar locations to Queens Road) would divert resources away from the priority routes which would increase the risk of those routes becoming blocked due to snow or by traffic unable to reach its destination. There were procedures in place to respond to gritting requests in emergency situations when requested by the emergency services. Councillor F. Hussain expressed his thanks to the local residents. Councillor F. Hussain also expressed his appreciation to the efforts of the gritting team in keeping the roads open during in horrendous conditions.

8. Councillor McCann asked the following question:

"The recent high winds caused several trees to fall, sometimes causing disruption but fortunately no loss of life of injury. Could the Cabinet Member outline the procedure that members of the public and indeed councillors should follow if they wish to report 'dangerous' trees on their land, or on Council land, or other private land? In the case of the latter, and I appreciate that sometimes ownership of this land is unknown, what enforcement action will the Council take to remove any unstable/diseased trees?"

Councillor Brownridge, Cabinet Member for Neighbourhoods and Cooperatives responded that during the recent bad weather close to 1000 trees had been lost across the town. All trees that needed to be reported should be emailed to environmentalservices@oldham.gov.uk 24 hours a day or during officers by contacting 0161 770 4067. A report would be taken and an inspection would follow depending on the priority determined by officers. When the weather conditions were reported to be an issue out of hours the Council endeavoured to place a team on standby. First Response were informed and would take details which would be passed to the team on call. The trees would be managed on a priority basis dealing with those that were a threat to life, causing or had caused damage to buildings or blocking the highway. If the trees were not in Council ownership, the immediate issue would be dealt with first than cost would be recovered at the earliest opportunity through enforcement/rechargeable action.

9. Councillor G. Alexander asked the following question:

"Further to the development which is occurring on Haven and Havenside Close - I have been informed that the local farmer has damaged the culverts and altered the waterways. This has caused flooding issues to properties on Haven Lane, Havenside Close, Haugh Hill Road, and Turf Pitt Lane. Can I be assured that there will be no building works taking place on Haven Lane till this has been rectified? Can the Council ensure that the builders take flooding into consideration when building the new properties?"

Councillor Brownridge, Cabinet Member for Neighbourhoods and Cooperatives responded that common law required landowners used their land in such a way that it did not increase the risk of flooding to a neighbouring property. If this was found to be the case, either the Environment Agency, United Utilities or a neighbour would have the option or right to consider legal (civil) action. Related to future development of the site, the Haven Lane scheme was granted on appeal on 4th December 2017 subject to a number of conditions. One of the conditions (Condition 9) required further details of the disposal of surface and foul water from the site prior to commencement of the development. The duly approved scheme needed to be implemented before any of the dwellings were first occupied. To date the condition had not been discharged and no material start at the site had occurred to the Council's knowledge.

10. Councillor Salamat asked the following question:

"Can the Cabinet Member responsible update us on the situation with the LINK Centre and outline arrangements have been made to support user groups while the centre is being refurbished?"

Councillor Harrison, Cabinet Member for Social Care and Safeguarding responded that an information briefing was held on 6th March 2018 which informed people who used the centre of the planned closure which would enable a programme of works to take place on the building. During the planned closure, which would take place from late March to September 2018, groups were informed that meeting rooms would be unavailable. Unfortunately the meeting had ben originally planned to take place on 28th February 2018 which would have provided approximately four weeks notice of the closure, but due to the bad weather the briefing had to be rearranged for the following week. Sixty-one people attended the briefing who represented 16 organisations or groups, including Carers Drop-In, Gamblers Anonymous, Oldham Arts Group, Age UK, U3A, Deaf Club, Parkinsons Society, CLEO and Alcoholics Anonymous. At the briefing the groups were informed about the support available which included: staff working with group leads to identify alternative venues for their meeting; an information drop-in event which included attendance from a range of organisations who could provide support to access alternative meeting rooms on locality meeting facilities with accessible places; and the intention to provide regular updates on the works on our web page which had now been updated to reflect the timescales and planned works. In addition, one-to-one meetings to support individual groups were offered and these had been held with group leads. A full guide of available meeting rooms across the borough was provided to groups. Staff had already visited a number of locations to identify appropriate alternative locations depending on the groups' needs. Staff then worked with group leads to arrange booking theses venues or meeting with the organisations who managed the venues. One of the biggest barriers had been the need for groups, in some locations, to pay for meeting rooms. However, this had always been a requirement at the Link Centre, although not fully endorsed due to historical informal arrangements. Throughout the development of new offer at the centre, it had been communicated to the groups of the need to pay for meeting rooms going forward. This had been clearly articulated over 12 months with the first briefing taking place to inform groups of changes on 12 and 14 December 2016. Through early engagement and highlighting the need to pay for meeting rooms, it was hoped to minimise the impact on groups and enable them to plan for future funding arrangements. Where funding could have been an issue, work has taken place with individual groups to identify venues which were free and in some cases, identify funding to support their transition to an alternative venue. Groups would continue to be supported where required during the period of works.

11. Councillor Phythian asked the following question:

"Residents in Royley, Royton North have complained to me about the poor service provided by the 412 bus. It runs in the morning every one and a half hours until 2pm and then not until 7.45 in the evening. If you miss the lunchtime bus back from Oldham you have to wait several hours to get home and is of no use to school children returning home. The bus operators say this is for commercial reasons but surely putting on a bus service that only operates half the day means it is unlikely to be well used. Please can the Cabinet Member responsible take up this issue and press for a sensible bus service that meets the needs of residents?"

Councillor F. Hussain, Cabinet Member for Environmental Services, responded that bus services were currently run on a commercial basis and if the operator chose not to run a service, there was a limit on what could be done. The only option at present was for TfGM to fund gaps in the network left by commercial operators. The Bus Services Act 2017 had provided the Mayor with new powers to reform bus services in Greater Manchester with the potential to allow greater local control over routes, frequencies, timetables, fares and quality standards. These powers were currently being considered, but in the meantime, the funding available for TfGM to provide a subsidised bus service was under great pressure and had been reduced. It was TfGM that funded all journeys on the 412 service. The contract for the daytime journeys was renewed in January 2018 and the service maintained during the part of the day when it was most used. TfGM had subsequently looked at moving resources from lightly used evening services to fill the daytime gap but this idea had not been well received as it just moved the problem. A commitment had been secured from TfGM to revisit the proposal again to see if they could provide a sustainable and affordable option that covered a wider span of operation.

12. Councillor Sheldon referred to a recent visit from Councillor F. Hussain to discuss transport and traffic issues in Saddleworth where they had witnessed the aftermath of an accident. Councillor Sheldon asked if there were any plans to reduce the speed limit at the Manchester Road Junction near the Royal George Pub from 40 to 30 mph?

Councillor F. Hussain, Cabinet Member for Environmental Services responded that the visit to Saddleworth had been informative. The location of the junction was near Tameside and would not be a simple response for the speed to be reduced. Unity would be asked to look at the request and an update would be provided to Councillor Sheldon.

At this point in the meeting, the Mayor advised that the time limit for this item had expired.

RESOLVED that the questions and responses provided be noted.

3 **TO RECEIVE APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor M. Bashforth, Councillor S. Bashforth, Councillor Heffernan, Councillor Kirkham, Councillor Price and Councillor Rehman.

4 **TO ORDER THAT THE MINUTES OF THE MEETINGS OF THE COUNCIL HELD ON 13TH DECEMBER 2017 AND 28TH FEBRUARY 2018 BE SIGNED AS A CORRECT RECORD**

RESOLVED that the minutes of the Council meetings held on 13th December 2017 and 28th February 2018 be approved as a correct record.

5 **TO RECEIVE DECLARATIONS OF INTEREST IN ANY MATTER TO BE DETERMINED AT THE MEETING**

In accordance with the Code of Conduct, elected members declared the following interests:

Councillor G. Alexander declared a personal interest at Item 15a by virtue of her appointment to the MioCare Board.
Councillor Harrison declared a personal interest at Item 15a by virtue of her appointment to the MioCare Board.
Councillor Chauhan declared a personal interest at Item 15a by virtue of his appointment to the MioCare Board.
Councillor McCann declared a personal interest at Item 15a by virtue of his appointment to the MioCare Board and the Unity Partnership Board.
Councillor Jabbar declared a personal interest at Item 15a by virtue of his appointment to the Unity Partnership Board.
Councillor Dean declared a personal interest at Item 15a by virtue of his appointment to the Unity Partnership Board.
Councillor Stretton declared a personal interest at Item 15a by virtue of her appointment to the Unity Partnership Board.
Councillor Sykes declared a personal interest at Item 15a by virtue of his appointment to the Unity Partnership Board.
Councillor Ur-Rehman declared a personal interest at Item 15a by virtue of his appointment to the Unity Partnership Board.
Councillor Brownridge declared a personal interest at Item 15b by virtue of her appointment to the Police and Crime Panel.
Councillor Gloster and Councillor Garry declared a pecuniary interest at Item 15b, Police and Crime Panel Minutes.
Councillor Haque declared a personal and pecuniary interest in Item 14, Motion 3 by virtue of his ownership of a takeway. Councillor Haque left the room during the discussion of this item and took no part in the discussion or vote thereon.

6 **TO DEAL WITH MATTERS WHICH THE MAYOR CONSIDERS TO BE URGENT BUSINESS**

The Mayor informed the meeting that he had agreed to accept an item of Urgent Business in accordance with the Council's Constitution which was a report related to the External Auditors. The report would be considered at Item 18.

7 **TO RECEIVE COMMUNICATIONS RELATING TO THE BUSINESS OF THE COUNCIL**

The Mayor made reference to the recent deaths of Councillor Susan Dearden, Councillor Brian Ames and former Councillor and Mayor Joe Farquhar.

Councillors Jabbar, Roberts, Toor, Moores and Williamson paid tribute to the work of Councillor Dearden.

Councillors Williams, Stretton and Murphy paid tribute to the work of Councillor Ames.

Councillors Hudson, Dean and Sykes paid tribute to the work of former Councillor and Mayor Farquhar.

Council held a minute’s silence.

The Mayor advised that two Councillors would be retiring at the end of the current Municipal Year, namely Councillors Wrigglesworth and Kirkham.

Councillors Ur-Rehman and Haque paid tribute to the work of Councillor Wrigglesworth.

Councillor G. Alexander paid tribute to the work of Councillor Kirkham.

The Mayor also advised that Maggie Kufeldt, Executive Director – Health and Wellbeing had now left the authority. Councillors Stretton and McCann paid tribute to the work of Maggie Kufeldt.

8 **TO RECEIVE AND NOTE PETITIONS RECEIVED RELATING TO THE BUSINESS OF THE COUNCIL**

The Mayor advised that three petitions had been received for noting by Council:

Petition related to Persimmons Homes and the Adoption of Northgate Lane (St. James Ward) received on 29 January 2018 with 60 signatures (Ref: 2018-01)

Petition related to Objections to Yew Tree Primary School Planning Application (Chadderton South Ward) received on 7 February 2018 with 203 signatures (Ref: 2018-02)

Petition related to the Sale of Land at Nimble Nook (Chadderton Central Ward) received on 21 February 2018 with 752 signatures (Ref: 2018-03)

RESOLVED that the petitions received since the last meeting of the Council be noted.

9 **OUTSTANDING BUSINESS FROM THE PREVIOUS MEETING**

The Mayor informed the meeting that there was one item of outstanding business from the previous ordinary meeting.

Motion 1

Councillor Roberts MOVED and Councillor Chadderton SECONDED the following motion:

"This Council notes that Oldham, together with thousands more, will celebrate International Women's day on the 8th March 2018. Oldham Council has already agreed to mark the centenary of the Women's Suffrage Act by supporting the Suffrage to Citizenship Campaign throughout 2018 and this will include marking the actual anniversary in November. Working with the Youth Council and local organisations, activities will focus on ways of encouraging young women (and men) to be more actively involved in the local community, an aim that fits well with our ethos as a Co-operative Council.
Oldham Council has previously affirmed its commitment to women's equality; acknowledged the unequal impact of austerity on women and supported the aims of the WASPI campaign for fair access to pensions.
Oldham Council further notes that the Government continues to put forward proposals which threaten vital services for women, this time the funding of refuges for women escaping domestic violence. The Government consultation paper 'Funding Supported Housing' includes proposals to remove the payment of Housing Benefit to women living in refuges, which provides over 50% of their funding, and replace this with a ring fenced grant to local authorities which will also have to pay the short-term supported housing for older people, homeless people, people with mental illnesses and drug addicts.
This council is extremely concerned that this threatens the sustainability of refuges, which are already unable to meet demand."

AMENDMENT

Council were informed that the names of the mover and seconder of the Amendment were transposed. Council AGREED the mover and seconder be amended as requested.

Councillor Turner MOVED and Councillor Williamson SECONDED the following AMENDMENT:

"End the first paragraph in line 4 after the end of the second sentence.
Insert a new paragraph as follows:
'Council notes with pleasure that four Oldham women, Lydia Becker, Annie Kenney, Marjory Lees and Sarah Lees were included within a list of notable women suffrage pioneers recently announced by the Women's Local Government Society

as inspirational examples to the women of today. It is especially notable that the contributions to the struggle of two of these women, Lydia Becker and Annie Kenney, were seen as ‘so immense’ that they deserved ‘special recognition’. Council will be proud to celebrate the historic contributions made by all four of these Oldham women in fighting to secure the vote for all of the women of Britain as part of the ‘From Suffrage to Citizenship’ campaign’.

The amended motion would then read:

“This Council notes that Oldham, together with thousands more, will celebrate International Women’s day on the 8th March 2018. Oldham Council has already agreed to mark the centenary of the Women’s Suffrage Act by supporting the Suffrage to Citizenship Campaign throughout 2018 and this will include marking the actual anniversary in November. Council notes with pleasure that four Oldham women, Lydia Becker, Annie Kenney, Marjory Lees and Sarah Lees were included within a list of notable women suffrage pioneers recently announced by the Women’s Local Government Society as inspirational examples to the women of today. It is especially notable that the contributions to the struggle of two of these women, Lydia Becker and Annie Kenney, were seen as ‘so immense’ that they deserved ‘special recognition’. Council will be proud to celebrate the historic contributions made by all four of these Oldham women in fighting to secure the vote for all of the women of Britain as part of the ‘From Suffrage to Citizenship’ campaign.

Working with the Youth Council and local organisations, activities will focus on ways of encouraging young women (and men) to be more actively involved in the local community, an aim that fits well with our ethos as a Co-operative Council.

Oldham Council has previously affirmed its commitment to women’s equality; acknowledged the unequal impact of austerity on women and supported the aims of the WASPI campaign for fair access to pensions.

Oldham Council further notes that the Government continues to put forward proposals which threaten vital services for women, this time the funding of refuges for women escaping domestic violence. The Government consultation paper ‘Funding Supported Housing’ includes proposals to remove the payment of Housing Benefit to women living in refuges, which provides over 50% of their funding, and replace this with a ring fenced grant to local authorities which will also have to pay the short-term supported housing for older people, homeless people, people with mental illnesses and drug addicts.

This council is extremely concerned that this threatens the sustainability of refuges, which are already unable to meet demand.”

The Mayor informed the meeting that the time limit for this item had expired.

A vote was then taken on the AMENDMENT.

On being put to the vote, the AMENDMENT was CARRIED UNANIMOUSLY.

On being put to the vote, the SUBSTANTIVE MOTION was CARRIED UNANIMOUSLY.

RESOLVED that:

1. The Chief Executive be asked to write to the Minister for Local Government and Parliamentary Under Secretary of State for Family Support, Housing and Child Maintenance to express concern and to ask for continuation of the existing system of paying Housing Benefit to women living in refuges.
2. The Borough's three MPs be asked to press for the continuation of the current system and to seek more secure funding for refuges.
3. The Council's representatives at the LGA be urged for the LGA to lobby against this proposed change.

10 **YOUTH COUNCIL**

The Youth Council PROPOSED the following MOTION:

"Vaping or the use of e-cigarettes is becoming a more and more common sight. More and more people can be seen using these products. I'm sure we all know someone who vapes, and I'm sure most of us saw someone vaping today.
Some people welcome vaping as a 'safer' alternative to smoking tobacco products but let's be honest the jury is out on that one.
We do not know how safe these products are Cancer research UK have published reports calling for further research into the effects of vaping on health and to increase our knowledge on how 'safe'' these products are.
We at Oldham Youth council have concerns that vaping is becoming an attractive activity for young people. We know anecdotally of young people who began vaporing without ever having been a smoker. These are not just alternatives to tobacco but are becoming a nicotine addictive habit for non-smokers too.
We strongly believe this is in large part due to the advertising and promotion of e-cigarettes and vaping.
We believe that E-cigarette companies and the tobacco industry are targeting young people;
They present their marketing in such a way that it uses attractiveness, coolness, colours and innovative packaging – with a wide range of 'fun' flavours that is particularly aimed at a youth market. With flavours like candy apple and tutti fruity with bright packaging that looks like confectionary how can this not be aimed at the youth market?
They use social media and celebrity inspired styling and endorsements
They sponsor big sports events
And they portray their products as socially attractive
All this is particularly appealing to a younger audience and to non-smokers.
Over recent years we have seen the regulation of tobacco promotion with the introduction of smoke free public spaces,

advertising bans, age restricted sales, a de-normalisation of smoking industries, plain packaging and point of sale restrictions. Vaping products however are not controlled in this way. And this great work at reducing the likelihood of young people (and older people) from smoking) is being undermined by this.
These control policies were introduced to prevent people from taking up smoking and rightly so. But if we don't want people to smoke and we certainly don't want young people to take up smoking would we want them to start vaping.
In November 2017 Committees for Advertising Practice have introduced some new rules that will prevent e cigarette advertising from targeting non-smokers including children and young people, these restrictions will also prevent TV advertising attempting to tap into youth culture. We are particularly pleased to see that an emphasis has been placed on protecting young people and we welcome these new rules but they don't go far enough.
A study by Moreon et all found that flavoured e cigarette liquids such as fruits and alcohol flavours are most frequently used by young people. And studies in the US have found that young people who vape are far more likely to smoke. Studies like these and the fact that the 'safety' of vaping is yet to be truly determined causes us great concern.
We want to prevent young people from these potentially harmful practices and we feel more needs to be done to prevent vaping from being seen as fun, acceptable and a 'cool' thing to do.
We would like to see the same controls on vaping as there are on tobacco products. We would like to see advertising banned, we would like to see plain packaging controls in place and we would like to point of sale restrictions. We believe that these restrictions on the promotion of vaping will further reduce the likelihood of people taking up vaping and in turn smoking.
The Youth Council ask Council to resolve:
That the Chief Executive writes to the minister of Health and asks for these restrictions to be put in place for vaping products."

Councillor Moores MOVED the Motion and Councillor Williamson SECONDED the Motion.

On being put the VOTE, the MOTION was CARRIED UNANIMOUSLY.

RESOLVED the Chief Executive, on behalf of the Youth Council, write to the Minister of Health to ask for restrictions be put in place for vaping products.

NOTE: Councillor Roberts left the meeting during this item.

11 **LEADER AND CABINET QUESTION TIME**

The Leader of the Main Opposition, Councillor Sykes, raised the following two questions:

Question 1:
"For my first question tonight I want to refer to the report published last month by the campaigning coalition End Child Poverty into child poverty across the UK. Overall the report found that Oldham was the local authority with the 7th worst estimated prevalence of poverty in the UK. Most shockingly Coldhurst was identified as the electoral ward with the highest estimated level of child poverty in the country, with over six in ten children living in poverty. Regrettably, Werneth, St. Mary's and Alexandra also featured highly with over fifty percent of all children in poverty. But child poverty is not simply confined to these areas – there are children living in poverty everywhere in our Borough. Sadly, you will also find pockets of economic deprivation in Shaw, Saddleworth, Chadderton and Royton – all are a criminal indictment of the indifference of policy makers and financiers in the affluent nation that is 21st century Britain.
Of course, much of the blame for the increase in poverty must be laid at the feet of a Conservative Government which continues to insist on austerity and has punished the poor with a benefit freeze. Yet there were previously investments amounting to tens of millions of directed at our most deprived neighbourhoods, Coldhurst, Glodwick, Derker, Fitton Hill, Hathershaw, Limeside, Werneth and Westwood during previous Government's including Labour. I will mention just four.

- The Single Regeneration Budget
- Neighbourhood Renewal Fund
- The New Deal for Communities
- Housing Market Renewal

Despite their high sounding titles, very little seems to have changed on the ground. This Administration talks a lot about the 'game changer' that the redevelopment of our town centre will represent, but for the children of these neighbourhoods who are hungry or ill-shod a real 'game changer' would be having enough food to east and decent shoes and clothes to wear right now.
My first question to the Leader tonight is this – does this Administration along with its partners have a practical strategy, a 'game changer', with real achievable, measurable targets to address the poverty, and therefore the life chances of these disadvantaged children? This is one league table we need to get off the top of and better still Oldham needs relegated to a lower division. At least 4 wards in the top flight of poverty is not where we need to be. If there is not such a strategy, does she not think it is about time that we put one in place as a top priority – for I can tell her now the Liberal Democrats stand ready to help or is another generation to be condemned to poverty?"

Councillor Stretton, Leader of the Council, responded that unfortunately it was not new that Oldham was a low wage, low skilled economy with pockets of deprivation. Much of the blame was at the door of the Conservative Government with persistent benefit caps and cuts to benefits. Austerity was a benign term for the vicious attacks on local government and the people it served. Budgets had been cut by over 50%. As much as it would have been liked to put in a range of initiatives, the ability to do this was constantly attacked. Local government and the LGA had made representations to government for adequate funding for adults and children's services. There were a range of strategies about improving lives of the people of Oldham which included the Town Centre Masterplan which would bring more investment and this would take time. The Leader agreed to meet with colleagues from the Liberal Democrats for joint discussions to take forward to officers.

Question 2:
"I would now like to return to another very important issue for many residents in our Borough – access to modern primary care facilities in their locality. The NHS Clinical Commissioning Group has recently consulted on proposals to create five local 'clusters', each to service approximately 50,000 patients at which local GP practices will be concentrated, along with a range of high-quality primary care services that will be tailored to the especial needs of the host community. I am confident that patients and carers in Chadderton, Saddleworth and Shaw and Crompton will be excited to hear this news as they are currently obliged to attend health centres that are well past their best to say the least. In fact their facilities are so poor that I would suggest that if a patient presented in such a condition they would be immediately referred for emergency treatment by triage. They are quite literally falling to bits. If we do indeed have a National Health Service that provides everyone with access to equal treatment at their point of need, why do we not have a Local Health Service that does the same? Certainly the hard working tax payers in Chadderton, Saddleworth, Shaw and Crompton are being seriously short-changed with their current provision. We have been promised new health centres in these areas for years; it would be nice to see this finally happen – and soon. The recent appointment of our own Chef Executive Dr Carolyn Wilkins, to a key position and leading role in our local NHS gives me some hope that things may now finally move in the right direction. With this in mind my second question to the Leader tonight is when can we expect to see new health centres in all areas of our Borough that are fit for the 21st Century?"

Councillor Stretton, Leader of the Council, responded that the information was not immediately available. There would be more influence on decision making than there was previously and welcomed the appointment of the Single Accountable Officer who would lead on the decision making. It would be a priority to ensure all areas had to public health services which were as good as it could be.

Councillor Hudson, Leader of the Conservative Group, asked if the Leader would speak to Cabinet members and officers would look into the openness and transparency and referred to

Westminster, Local government or Parish. It was asked if the Council's Overview and Scrutiny System could be improved by asking what other authorities did and make sure that scrutiny was done by members of the opposition parties and not the ruling group. Councillor Hudson referred to the scrutiny process at Tameside Council. This was not condemning any labour members, but was in the interest of openness by letting people know that if the authority believed in Overview and Scrutiny, then the policies should be scrutinised by those other than whose policies were being put into action.

Councillor Stretton, Leader of the Council, responded that she was not sure what arrangements were in other Councils. The Leader was confident that Overview and Scrutiny Committees were well led and members who served on them took their responsibility seriously and they were not used for party political issues. The comments related to Tameside Council, where the Conservative Group were the Oppostion were noted. All members across the board respected the Overview and Scrutiny function. Councillor McLaren and Councillor Wrigglesworth were able members who led the function and every member was able to have their say with no undue favouritism.

The Mayor reminded the meeting that Council had agreed that, following the Leaders' allocated questions, questions would be taken in an order which reflected the political balance of the Council.

1. Councillor Brock asked the following question:

   "The Budget and the Spring statement did not do anything to address the funding problems in local government and offered nothing for our staff who have had many years without a pay increase. Does the Cabinet member for Finance share my disappointment at the government's refusal to acknowledge the damage this continues to do to Oldham's services and residents and does he have any further comments to make about this?"

   Councillor Jabbar, Deputy Leader of the Council and Cabinet Member for Finance and HR responded that he had been disappointed in the Chancellor's announcement. There was no money to meet statutory responsibilities and included children's social services or adult social care which were the two areas under greatest pressure. There had been more than 40% increase in demand for children's social care and funding had been put in place to meet the additional demand. Representations had been made to the Government and the Chancellor but the Council did not get anything. The Council was allowed to increase the council tax by an additional 1% to address the pressures. Council tax for the authority was already too high, the additional 1% delivered £830K, but the pressures in children's services was £8.6m. The Government were putting the burden to local level which Oldham could not deal with. It was hoped that the Green

Paper on Adult Social Care would provide adequate funding for statutory responsibilities. There was no idea of the local government funding plan beyond March 2020, therefore future planning could not be done. As part of the review of revenue funding an appeal would be made as to what was happening.

2. Councillor Jacques asked the following question:

"The Metrolink Tram stops at Failsworth and Hollinwood have yet again been subjected to mindless acts of vandalism resulting in assaults on individuals, ticket machines and glass panels being smashed. When are TFGM going to realise and act against anti-social behaviour, where a small but growing minority can act with impunity wrecking stations. It's a downright disgrace that innocent passengers are being challenged by Travel Safe officers if they have a valid ticket, when they obviously cannot purchase one, whilst gangs of youths use the line unchallenged in the evening and subject innocent communities to yobbish behaviour in the streets, leaving residents feeling vulnerable and unsafe. The true economic and social cost of not having Travel Safe officers on stations and trams goes way beyond staffing costs. Is TFGM ignoring this issue and happy to pass on the real cost of a lack staffing onto our communities and police force. TFGM are aware of the issue but have failed to take effective action. I would like to ask the cabinet member responsible if there is an expensive lesson to be learnt here."

Councillor F. Hussain, Cabinet Member for Environmental Services assured that addressing anti-social behaviour was a priority for Transport for Greater Manchester and they were as concerned about it was the Council was, but they could not deal with this alone. Metrolink staff, no matter how many there were, did not have the powers of arrest so they needed the help and support of GM Police, and TfGM were working with them. Even before the most recent serious assault at Freehold, the new Metrolink operator, KAM, had increased staff presence in the area with patrols of Travel Safe Officers and Customer Services staff. TfGM have funded GM Police in terms of the Travel Safe Unit, further warranted officers and now almost 50 PCSOs. Furthermore intelligence was being shared with local police and working together with police on the overall strategy and provided really good CCTV evidence to police working on several other cases in the area. Arrests had also been made in the Freehold case.

3. Councillor A. Alexander asked the following question:

"Could the relevant Cabinet Member inform me, how many people are awaiting housing in Oldham and how many can truly afford to buy their own homes? Is there a breakdown of these figures?"

Councillor Brownridge, Cabinet Member for Neighbourhoods and Cooperatives responded that as at Tuesday, 27th March 2018 there were 5,778 households in housing need on the Council's Social Housing waiting list, an increase of 245 since December 2017. As the Council operated an 'open waiting list', there were also a further 16,056 households who were not in housing need but could bid for a percentage of homes that were advertised for rent on a 'first come first served' basis. How many households on the waiting list who could afford to buy their own home could not be confirmed. New applicants were asked to provide their household income, it was not a mandatory questions and the vast majority chose not to answer it. The Council collected the information which enabled landlords to establish whether prospective tenants were able to afford a tenancy and not to assess whether they were able to buy their own home. Research had suggested that nearly 40% could only afford social rented accommodation.

4. Councillor Harkness asked the following question:

"I welcome the launch of the Council's new online reporting system for fly tipping. It is clear that fly tipping has increased. There appears to be two issues:

- A reduced capacity for residents as a result of the three weekly bin collections
- An increase in commercial dumping of waste; this is a particular problem in my ward where there are isolated spots which fly tippers take advantage.

What is being done to support those who have large families and no transport to utilise Arkwright Street for their excessive waste?
What strategies are being considered to address the increase in commercial fly tipping?"

Councillor Brownridge, Cabinet Member for Neighbourhoods and Cooperatives responded that the three weekly bind collection had led to an increase in flytippng. There were hotspots for flytipping in the town which had been in existence for a long time. If it had been as a result of the introduction of the three weekly collection it would have been expected that the problem would had been more widespread. Flytipping was a national problem caused by a number of concerns. Different measures were being tried to deal with this issue and were currently being evaluated. Tribute was paid to the people of Oldham on the introduction of the three weekly collection scheme which had gone smother than anticipated and the recycling rate was up to over 45%. The introduction of the three weekly bin collected had had a real benefit with recycling. Additional provision was available to large families by making a request which would be assessed. In terms of commercial flytipping, this was a huge problem where operators did not want to pay the fee to dispose of waste properly. Work was ongoing locally to prosecute offenders. This was also a national problem with the Environment Agency tracking down perpetrators.

5. Councillor Shuttleworth asked the following question:

"A Care Quality Commission (CQC) report published in August 2016 rated The Royal Oldham Hospital "Inadequate", I understand that the CQC carried out a more recent inspection in autumn 2017. Could the relevant Cabinet Member please advise us of the outcome of this inspection, and give us and the residents of Oldham some assurance that the Royal Oldham Hospital is on a journey of improvement that will ensure that the hospital delivers the highest standard of care in every department."

Councillor Moores, Cabinet Member for Health and Wellbeing responded that on 1st March, the CQC published its findings and final report following the latest inspection of the services for the Pennine Acute Trust carried out in October and November 2017. The findings of the inspection for Pennine Acute Trust were:

- Safe –moved from Inadequate to Requires Improvement
- Effective – stayed at Requires Improvement
- Caring – stayed at Good
- Responsive – stayed at Required Improvement
- Well-led – moved from Inadequate to Good.

The overall rating for the Trust had also improved from Inadequate to Requires Improvement. Services at the Royal Oldham Hospital had also improved from Inadequate to Requires Improvement. The Royal Oldham Hospital had also seen:

- Maternity care and Urgent and Emergency services had improved significantly with overall rating of Good
- A&E working with CCG and partners to further develop urgent care services to Good
- Rating in Safe services for urgent and emergency care had improved to Good
- Surgical services were rated Good for Caring, Responsive and Well led
- Critical Care services had improved as had services for children and young people.

An improvement plan was being developed to continue the Trust's improvement journey. The Health and Wellbeing Board had agreed to write to Sir David Dalton welcoming the improvement to the Royal Oldham Hospital and the Trust as a whole.

6. Councillor McLaren asked the following question:

"Over recent weeks I have witnessed severe delays to traffic travelling from Oldham to Chadderton via Middleton Road, this is due to the traffic flow being restricted by vehicles wishing to turn right from Middleton Road onto Featherstall Road. Could the Cabinet Member responsible for Highways, please arrange for Officers to look into this issue and find a solution to a problem that is frustrating many road users."

Councillor F. Hussain, Cabinet Member for Environmental Services responded that the Council's Highways Team had been in contact with Transport for Greater Manchester who were responsible for all the traffic signal operation and optimisation within Greater Manchester and so within Oldham too. As regarded whether this junction would benefit at all from alternative arrangements, for example a right turn filter arrow from Middleton Road onto Featherstall Road. This would only be beneficial if other works to lane markings / separation on Middleton Road were introduced too and the matter was being considered. It was also likely that the immediate congestion issues along Middleton Road were being compounded significantly currently by the major necessary bridge works on Oldham Way / Middleton Road bridge. It might be possible for alternative diversion routes which were currently being considered to be installed. It was hoped that the possible introduction of such a diversion arrangement would ease the existing congestion at the Middleton Road/Featherstall Road North junction.

At this point in the meeting, the Mayor advised that the time limit for this item had expired.

RESOLVED that the questions and the responses provided be noted.

12 **TO NOTE THE MINUTES OF THE MEETINGS OF THE CABINET HELD ON THE UNDERMENTIONED DATES, INCLUDING THE ATTACHED LIST OF URGENT KEY DECISIONS TAKEN SINCE THE LAST MEETING OF THE COUNCIL, AND TO RECEIVE ANY QUESTIONS OR OBSERVATIONS ON ANY ITEMS WITHIN THE MINUTES FROM MEMBERS OF THE COUNCIL WHO ARE NOT MEMBERS OF THE CABINET, AND RECEIVE RESPONSES FROM CABINET MEMBERS**

The minutes of the Cabinet meetings held on 20th November 2017, 11th December 2017, 18th December 2017 and 22nd January 2018 were submitted.

There were no questions or observations on the Cabinet meeting minutes.

RESOLVED that the minutes of the Cabinet meetings held on 20th November 2017, 11th December 2017, 18th December 2017 and 22nd January 2018 be noted.

13 **NOTICE OF ADMINISTRATION BUSINESS**

Motion 1 – Modern Slavery

Councillor Moores MOVED and Councillor Haque SECONDED the following MOTION:

"This Council notes:

- Though slavery was abolished in 1833, there are more slaves today than ever before in human history. Figures from the International Labour Organisation (ILO) suggest that there are more than 40 million people in modern slavery across the world, with nearly 25 million held in forced labour.
- There were 3805 victims of modern slavery identified in the UK in 2016. A rising number but still well below the 10,000 and 13,000 potential victims estimated by the Home Office.
- Modern Slavery is happening nationwide. Traffickers and slave masters use whatever means they have at their disposal to coerce, deceive, and force individuals into a life of abuse, servitude and inhumane treatment. This can include sexual and criminal exploitation.

This Council believes

1. That action needs to be taken to raise awareness of modern slavery and the fact that it is happening all over the UK.
2. That the current support for victims is not sufficient and needs to go beyond the 45 days they are currently given by the government.
3. That Councils have an important role to play in ensuring their contracts and supplies don't contributed to modern day slavery and exploitation.

Councillor Mushtaq spoke in support of the Motion.
Councillor Sykes spoke in support of the Motion.
Councillor McCann spoke in support of the Motion.
Councillor Hudson spoke in support of the Motion.

Councillor Hudson MOVED and Councillor Fielding SECONDED the MOTION be put to the VOTE.

On being put to the VOTE, 41 votes were cast in FAVOUR of proceeding to the VOTE and 8 VOTES were cast AGAINST with 0 ABSTENTIONS. The MOTION was therefore MOVED to the VOTE.

Councillor Moores exercised his right of reply.

On being put to the vote, the MOTION was CARRIED UNANIMOUSLY.

RESOLVED that:

The Co-operative Party's Charter against Modern Slavery to ensure our procurement practices don't support slavery be adopted.
Oldham Council would:

1. Train its corporate procurement team to understand modern slavery through the Chartered Institute of Procurement and Supply's (CIPS) online course on Ethical Procurement and Supply.
2. Require its contractors to comply fully with the Modern Slavery Act 2015, wherever it applies with contract termination as a potential sanction for non-compliance.
3. Challenge any abnormally low-cost tenders to ensure they do not rely upon the potential contractor practising modern slavery.
4. Highlight to its suppliers that contracted workers are free to join a trade union and are not to be treated unfairly for belonging to one.
5. Publicise its whistle-blowing system for staff to blow the whistle on any suspected examples of modern slavery.
6. Require its tendered contractors to adopt a whistle-blowing system which enables their staff to blow the whistle on any suspected examples of modern slavery.
7. Review its contractual spending regularly to identify any potential issues with modern slavery.
8. Highlight for its suppliers any risks identified concerning modern slavery and refer them to the relevant agencies to be addressed.
9. Refer for investigation via the National Crime Agency's national referral mechanism any of its contractors identified as a cause for concern regarding modern slavery.
10. Report publicly on the implementation of this policy annually.

Motion 2 – Housing Strategy

Councillor Brownridge MOVED and Councillor Chauhan SECONDED the following motion:

"This Council notes that whilst the government's recognition that the housing market is broken is welcome there is grave concern about the concentration on increased numbers alone. It is essential that the policy supports the creation of good quality homes that meet the needs of local communities. In Oldham the existing supply is unbalanced with a heavy preponderance of properties in the lowest council tax bands and at the same time a lack of actual affordability with almost half the population only being able to afford social rents. The numbers on the housing waiting list are growing as are the number of people who are homeless and who are rough sleepers.
Current Government policy promotes continued growth in house prices to support continued consumer spending and this does not address the accommodation issues in areas of lower property values. This is exacerbated by the fact that social housing supply is at its lowest level since the 1930s and owner occupation is decreasing. Due to the increase in prices the

measure of need based on income may not longer be appropriate both because the levels of income need to be higher to be eligible for a mortgage but also because many jobs are no longer secure.
The Council believes that the current strategy to increase numbers is not appropriate for areas like Oldham with low property and land values and Government's proposals to amend the planning system undermines our desire to improve the quality of accommodation and the local environment.
Government also proposes penalties against Local Authorities if housing numbers are not delivered, failing to recognize that while Councils determine planning applications, private companies are largely responsible for building houses."

Councillor McCann spoke in support of the MOTION.

Councillor Brownridge did not exercise her right of reply.

On being put to the vote, the MOTION was CARRIED UNANIMOUSLY.

RESOLVED that: (CHANGE TO MINUTED RESOLUTIONS)

- Lobbying be continued through the borough's MPs and the LGA for a formal recognition that new housing must meet the needs of the local community by including a wide range of tenures and to resist the attempt of Government to impose in appropriate penalties on local authorities
- The GMCA's efforts to secure financial assistance for the remediation of previously developed land which is often not financially viable in areas of low value without this subsidy be supported.
- The Government be urged to recognise that the planning system has an important role to play in protecting the quality of new housing and of the wider environment but new homes cannot be delivered by the planning system alone.

Motion 3 – The TUC

The Mayor informed the meeting that the time limit for this item had expired. Councillor Fielding as MOVER of the Motion and Councillor Hewitt as SECONDER of the Motion requested the Council permit the following motion be rolled over for discussion at the next Council meeting.

"The Council notes that the 150th anniversary of the TUC is in June 2018. Council also notes that the history of the TUC is intertwined with that of Greater Manchester, with the first meeting of the TUC taking placed in 1868 at the Mechanics Institute on Princess Street in the City Centre.
Council recognises the improvements to the quality of life of working people in Oldham and across the United Kingdom that have been delivered by Trade Union campaigning, particularly on pay, conditions and safety at work.

Council resolves to:

- Write to the General Secretary of the TUC, Frances O'Grady, reaffirming this Council's commitment to Trade Unionism.
- Offer a venue and support to the North West TUC who themselves are organising a programme of events across the region to ensure that the anniversary is marked in Oldham."

RESOLVED that the Motion be rolled over to the Council meeting to be held on 11th July 2018.

14 **NOTICE OF OPPOSITION BUSINESS**

Motion 1 – Making Oldham a 'Single Use Plastic-Free' Local Authority

Councillor Murphy MOVED and Councillor Harkness SECONDED the following motion:

"Council notes that:

- The introduction of the 5p bag charge has already seen use of single-use plastic bags drop by 85%.
- However, most families still throw away about 40kg of plastic per year, which could otherwise be recycled.
- The amount of plastic waste generated annually in the UK is estimated to be nearly 5 million tonnes, which has a catastrophic effect on our environment, particularly our marine environment

Council welcomes the commitment of some major businesses to reduce their use of plastic packaging and encourages all local businesses to respond positively to the Government's recent call for evidence on reducing plastic waste.

However, Council recognises that is only in eliminating single-use plastic materials that we can achieve a significant reduction in plastic waste.

Council therefore resolves to ask the Cabinet to:

- Develop a robust strategy to make Oldham a 'single-use plastic-free' authority by the end of 2018 and encourage the Borough's institutions, businesses and citizens to adopt similar measures
- End the sale and provision of single use plastic products such as bottles, cups, cutlery and drinking straws in Council buildings, or council supported venues, wherever possible; promoting the use of non-plastic recyclable alternatives e.g. paper straws to ensure our venues remain accessible to those with additional needs.
- Encourage traders across the Borough to sell re-usable containers and invite customers to bring their own.
- Consider the merits and practicalities of introducing a 'window sticker' scheme to accredit local businesses that are committed to reducing plastic waste through, for example, offering free water bottle refills.
- Investigate the possibility of requiring pop-up food and drink vendors at council supported events to avoid single-use plastics as a condition of their contract; with a view to

phasing out all single use plastics at markets and events in the Borough by the end of 2018.
- Work with tenants in commercial properties owned by Oldham Council to encourage them to phase out single use plastic cups, bottles, cutlery and straws.

Councillor Bates spoke in support of the MOTION.

Councillor Jabbar MOVED and Councillor Fielding SECONDED that under Council Procedure Rule 8.4(d) the motion be referred to the Overview and Scrutiny Board.

On being put to the vote, that the MOTION be REFERRED to Overview and Scrutiny was CARRIED UNANIMOUSLY.

RESOLVED that under Council Procedure 8.4(d) the motion be referred to the Overview and Scrutiny Board.

Motion 2 – Land Value Taxation

Councillor McCann MOVED and Councillor Gloster SECONDED the following Motion:

"This Council believes that Land Value Taxation (LVT) offers a credible means for local authorities to raise public revenue to fund local public services by making an annual charge upon landowners, based on the rental value of their land. This is typically levied against the unimproved value of that land, not taking into account any buildings, services or on-site infrastructure.
Council notes that:

- LVT could be revenue-neutral; that is the revenue raised could replace taxation levied through Council Tax and Business Rates. This would lift some of the burden of meeting the cost of Council services from our Borough's low-income households and small businesses;
- LVT would encourage owners of vacant sites, particularly brown-field sites, to develop them for businesses or residential use more quickly, where planning permission has been granted, so as to generate an income rather than pay an annual charge on the unused land;
- This would discourage developers from land-banking and lead to more house building and the creation of more businesses and jobs, meaning a more vibrant Borough and less pressure to build new homes on our irreplaceable green belt;
- LVT is cheap to collect and very difficult to evade.

Council further notes that:

- Some form of LVT is already successfully in operation in over 30 countries (including Australia, Hong Kong, Japan, Singapore and several US states);
- The International Monetary Fund, the Institute of Economic Affairs and the Organisation of Economic Co-operation and Development have all come out in favour of the tax;

- A Private Members Bill was introduced in Parliament by Caroline Lucas MP supporting LVT, and the proposal has cross-party support in principle;
- The Scottish and Welsh Governments are currently investigating the options for implementing such a tax;
- The Parliamentary Communities and Local Government Committee have just conducted an enquiry into the efficacy of various taxation methods to 'capture' increases in land value;
- The Government has appointed a panel of experts, chaired by Sir Oliver Letwin, charged with carrying out a review to 'explain the gap between the number of planning permissions being granted (for houses) against those built in areas of high demand'

This Council recognising the merits of introducing Land Value Taxation, resolves to ask the Chief Executive to write to:

- Sir Oliver Letwin as Chair of the Review outlining the Council's position and asking the panel to give serious consideration to recommending to Government that LVT be introduced as a means to discouraging land-banking and accelerated housing development.
- Our three local Members of Parliament asking for their support for this position."

Councillor Brownridge spoke against the Motion.

Councillor McCann exercised his right of reply.

Councillor Sykes MOVED and Councillor Harkness SECONDED that under Council Procedure Rule 8.4(d) the motion be referred to the Overview and Scrutiny Board.

On being put to the vote, that the MOTION be REFERRED to Overview and Scrutiny was CARRIED UNANIMOUSLY.

RESOLVED that under Council Procedure 8.4(d) the motion be referred to the Overview and Scrutiny Board.

Motion 3 – Restricting New Hot Food Takeaways near Schools

Councillor Haque declared a pecuniary interest in this item by virtue of his ownership of a takeway. Councillor Haque left the Chamber and took no part in the discussion or vote thereon.

Councillor Williamson MOVED and Councillor Turner SECONDED the following motion:

"This Council notes that:

- Childhood obesity has risen to epic proportions. In October 2017, the medical journal, The Lancet, reported one in every ten young people, aged 5 to 19, in the UK are classed as obese:
- In Oldham, sadly the situation is even worse. The Public Health England profile for the Borough, published July

2017, reported that 21.9% of children at Year 6 (660 in total) were classed as obese;

- Obese children are more likely to become obese adults, putting them at risk of developing serious health conditions (such as type 2 diabetes, heart disease, stroke and certain types of cancer);
- Takeaway food, where it is unhealthy, so called junk food, is undoubtedly a contributing factor in the increase;
- Although the Oldham School Meals Service is a Gold standard provider, regrettably some pupils chose to eat at or from takeaways;
- In June 2016, the Royal Society for Public Health called for a ban on the delivery of takeaway meals to school gates. A survey conducted by the RSPH amongst young people found half had ordered takeaways on their smart phones and a quarter had paid for fast food to be delivered to the school gates;
- At least 22 local authorities have adopted Supplementary Planning Document and Local Plans that include a prohibition on new fast food takeaways within 400 meters of local schools (a buffer zone);
- In July 2012, Oldham Council adopted a Supplementary Planning Document which placed restrictions on the density of hot food takeaways, but which did not include any restriction on new takeaways within a specified buffer zone.

Council resolves to ask the Planning Committee to investigate the desirability and practicality of:

- Introducing a prohibition on new takeaways within a 400 metre buffer zone as part of the Local Plan;

Council shall also contact all schools within the Borough to seek reassurances they:

- Enforce a 'stay-on-site' policy at lunchtimes;
- Ban the delivery of takeaways to the school gates for collection by pupils;

And ask them to do so; if they do not."

Councillor Moores MOVED and Councillor Jabbar SECONDED that under Council Procedure Rule 8.4(d) the motion be referred to the Overview and Scrutiny Board.

On being put to the vote, that the MOTION be REFERRED to Overview and Scrutiny was CARRIED UNANIMOUSLY.

RESOLVED that under Council Procedure 8.4(d) the motion be referred to the Overview and Scrutiny Board.

NOTE: Councillor Chauhan left the meeting during this item.

15a To note the Minutes of the following Partnership meetings and the relevant spokespersons to respond to questions from Members

The minutes of the following Partnership meetings were submitted as follows:

Health and Wellbeing Board	19th September 2017
	12th December 2017
Unity Partnership Board	12th September 2017
	6th December 2017
Oldham Leadership Board	24th January 2018
MioCare Board	20th November 2017

There were no questions or observations on the Partnership meeting minutes.

RESOLVED that the minutes of the Partnership meetings as detailed in the report be noted.

15b To note the Minutes of the following Joint Authority meetings and the relevant spokespersons to respond to questions from Members

The minutes of the following Joint Authority meetings were submitted as follows:

National Peak Park Authority	1st December 2017
	2nd February 2018
Police and Crime Panel	12th December 2017
	18th January 2018
Fire Committee	9th February 2018
Greater Manchester Health and Social Care Partnership Board	13th October 2017
	19th January 2018
Greater Manchester Waste Disposal Authority (GMWDA)	19th October 2017
	21st December 2017
	18th January 2018
	8th February 2018
Transport for Greater Manchester	12th January 2018
Greater Manchester Combined Authority	24th November 2017
	15th December 2017
	26th January 2018
Association of Greater Manchester Authorities (AGMA)	24th November 2017

Members raised the following questions:

Councillor McCann, GMCA Minutes, 24 November 2017, Minute 196/17 f) Autumn Budget – Councillor McCann asked about the reduction in central government funding to Greater Manchester Police. In light of the tragedies in Manchester and problems not decreasing as in Metrolink, could the position be confirmed?

Councillor Stretton, Leader of the Council responded that GMP would not be getting more money and that Central Government continued to decrease funding.

RESOLVED that:

1. The minutes of the Joint Authority meetings as detailed in the report be noted.
2. The question and the response provided be noted.

16 **UPDATE ON ACTIONS FROM COUNCIL**

Consideration was given to a report of the Director of Legal Services which informed members of actions that had been taken following previous Council meetings and provided feedback on other issues raised at the meeting.

Councillor Harkness spoke on the report.

RESOLVED that the Update on Actions from Council be noted.

17 **POLITICAL BALANCE REVIEW**

Council gave consideration to report of the Director of Legal Services which detailed a Political Balance Review following the deaths of Councillor Sue Dearden and Councillor Brian Ames. A review of the allocation of seats to political groups was required at, or as soon as practicable when notice was received of a change in the composition of a political group and changes to committee membership related to political groups.

RESOLVED that:
1. The review of political balance and committees as detailed in the report be noted and agreed.
2. The review undertaken required no change to political balance or committee places.

18 **APPOINTMENT OF EXTERNAL AUDITOR FROM THE FINANCIAL YEAR 2018/19**

Council gave consideration to a late report of the Director of Finance which requested Council to note the appointment of Mazars by the Local Government Association Public Sector Audit Appointments (PSAA) from the financial 2018/19 to:
- Undertake the external audit of the Statement of Financial Accounts; and
- Audit the Teacher's Pension Agency Return.

RESOLVED that:
1. The appointment of Mazars by the PSAA as the external auditors to the Council from the financial year2018/19 be noted.
2. The appointment of Mazars as external auditors to the Teachers' Pension Agency Return for 2018/19 be approved.

The meeting started at 6.00 pm and ended at 9.36 pm

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Report to COUNCIL

Results of the Local Elections held on 3rd May 2018

Report of the Returning Officer

Officer Contact: Paul Entwistle, Director of Legal Services

Report Author: Liz Drogan, Head of Constitutional Services
Ext. 4705

23rd May 2018

Reason for Decision

1. Local Elections took place on the 3rd May 2018 and the following were elected to serve as members of the Council as shown:

Ward	Turnout	Councillor
Alexandra	36.75%	Shaid Mushtaq
Chadderton Central	31.59%	Colin McLaren (4 year term) Elaine Taylor (2 year term)
Chadderton North	33.29%	Barbara Brownridge
Chadderton South	26.63%	Arooj Shah
Coldhurst	34.11%	Abdul Malik
Crompton	32.25%	Dave Murphy
Failsworth East	25.69%	Norman Briggs
Failsworth West	27.55%	Peter Davis
Hollinwood	22.59%	Jean Stretton (4 year term) Martin Judd (2 year term)
Medlock Vale	29.74%	Yasmin Toor
Royton North	29.87%	Hannah Roberts
Royton South	29.87%	Marie Bashforth
Saddleworth North	33.98%	Pam Byrne
Saddleworth South	40.49%	Jamie Curley
Saddleworth West and Lees	31.36%	Valerie Leach

Shaw	30.57%	Hazel Gloster
St. James	18.59%	Ginny Alexander
St Mary’s	35.15%	Ali Aqeel Salamat
Waterhead	26.59%	Riaz Ahmad
Werneth	40.14%	Shoab Akhtar

Recommendations

2. Council is asked to note the results of the Local Elections.

Oldham Council

Report to COUNCIL

Appointment of the Leader of the Council

Officer Contact: Paul Entwistle, Borough Solicitor
Ext. 4822

Report Author: Liz Drogan, Head of Constitutional Services

23rd May 2018

Reason for Decision
The appointment of the Leader of the Council is a Council function in accordance with provisions of the Local Government Act 2000 as amended.

Recommendations

1. The Council receive nomination(s) for the office of the Leader of the Council.

2. The Council elect the Leader of the Council for a term of office starting on the 23rd May 2018 and ending on the day when the Council holds its first annual meeting after the Leader's normal day of retirement as Councillor subject to the provisions as outlined in 2.1 of the report.

Appointment of the Leader of the Council

1 **Purpose of the Report**

1.1 The appointment of the Leader of the Council is a Council function in accordance with the provisions of the Local Government Act 2000 as amended.

2 **Background**

2.1 The Leader's term of office will end on the day when the Council holds the first annual meeting after the Leader's normal day of retirement as a Councillor unless:

a. He or she resigns from the office or
b. He or she is no longer a Councillor or
c. He or she is removed from office by the resolution of the Council.
d. The appointment of a successor at a subsequent Annual Meeting of the Council.

2.2 It is the responsibility of the Leader to determine the size and membership of the Cabinet (providing the membership comprises between two and nine members, not including the Leader). The Leader shall also determine the remit of each portfolio. The Council does not have any decision-making role in this regard.

2.3 All executive functions are vested in the Leader and it is his responsibility to determine how such functions shall be delegated. This responsibility can be a simple re-affirmation of the existing delegation of executive functions to the Cabinet, and Officers. The Council does not have any decision making role in this regard.

3 **Recommendations**

3.1 The Council receive nomination(s) for the office of the Leader of the Council.

3.2 The Council elect the Leader of the Council from the 23rd May 2018, and ending on the day when the Council holds its first annual meeting after the Leader's normal day of retirement as a Councillor subject to the provisions as outlined in 2.1 of the report.

4 **Background Papers**
Local Government and Public Involvement in Health Act 2007 (published works available of the OPSI website)
Localism Act 2011 (published works available of the OPSI website)
Local Government Act 2000 (published works available of the OPSI website)

Report to COUNCIL

Council Calendar 2018/19

Officer Contact: Paul Entwistle, Director of Legal Services

Report Author: Liz Drogan, Head of Constitutional Services
Ext. 4705

23rd May 2018

Reason for Decision
This report sets out the calendar of meetings for the 2018/19 municipal year.
.

Recommendations

It is recommended that:

1. The Council's calendar of meetings for 2018/19 be approved, as set out at Appendix 1.
2. Approval of any outstanding dates or changes to dates to be delegated to the Chief Executive in consultation with Group Leaders.

Council Calendar 2017/18

1 **Background**

1.1 This report sets out the Calendar for the 2018/19 Municipal Year. An earlier version of the Council was agreed at Council on 13th December 2018, however, there have been amendments to that version.

2 **Options/Alternatives**

2.1 The Council is entitled to amend any of the dates in the calendar, but should note it is required to approve a version of the calendar at its annual meeting. Approval of any outstanding dates or changes to dates are to be delegated to the Chief Executive in consultation with Group Leaders.

3 **Preferred Option**

3.1 To approve the calendar as set out in Appendix 1.

4 **Consultation**

4.1 Consultation has taken place with relevant officers and councillors.

5 **Financial Implications**

5.1 n/a

6 **Legal Services Comments**

6.1 There are no legal comments (Paul Entwistle).

7 **Human Resources Comments**

7.1 There are no human resources issues.

8 **Risk Assessments**

8.1 A risk assessment is not required.

9 **IT Implications**

9.1 There are no IT implications.

10 **Property Implications**

10.1 There are no property implications.

11 **Procurement Implications**

11.1 There are no procurement implications.

12 **Environmental and Health & Safety Implications**

12.1 There are no environmental or health and safety implications.

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

13.1 There are no community cohesion implications.

14 **Equality Impact Assessment Completed?**

14.1 No

17 **Key Decision**

17.1 No

18 **Key Decision Reference**

18.1 n/a

19 **Background Papers**

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:
Council's calendar of meetings 2018/19
Liz Drogan tel:0161 770 4705
Level 4 Civic Centre
Oldham
OL1 1 IL

20 **Appendices**

20.1 Appendix 1 – Council Calendar 2018/19

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CALENDAR OF MEETINGS

1 MAY 2018 - 31 MAY 2019

FOR ANNUAL COUNCIL 23 MAY 2018

MAY, 2018				
Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**
	1	**2**	**3** Elections	**4**
7 Bank Holiday	**8**	**9**	**10**	**11**
14	**15**	**16 ***	**17**	**18**
21 Liberal Democrat Group	**22**	**23** 12.00 pm (Annual), Council	**24**	**25**
28 Bank Holiday Half-Term Starts	**29**	**30**	**31**	

***16 May – Ramadan Starts**

JUNE, 2018				
Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**
				1 Half-Term Ends
4 6.00 pm Royton DE	**5** 9.30 am Licensing Committee 6.00 pm Members Development	**6** 6.00 pm Planning 6.00 pm Members Induction	**7** 9.30 am Appeals 5.30 pm TRO Panel	**8**
11 3.30pm Leadership Liberal Democrat Group	**12** 9.30 am Licensing Driver Panel 6.00 pm East Oldham DE 6.00 pm Shaw and Crompton DE	**13** 5.00 pm Chadderton DE 6.00 pm West Oldham DE	**14** 7.00 pm Failsworth and Hollinwood DE 7.00 pm Saddleworth and Lees DE Eid-al-Fitr	**15**
18	**19** 9.30 am Licensing Panel 6.00 pm O&S Board	**20** 6.00 pm Safeguarding Training	**21** 4.00 pm Standards 6.00 pm Members Development	**22**
25 3.30 pm Leadership 6.00 pm Cabinet	**26** 2.00 pm Health and Wellbeing Board 5.30 pm Unity Partnership Board	**27** 2.00 pm Members Development 6.00 pm Members Development	**28** 2.00 pm Members Development 6.00 pm PVFM	**29**

JULY, 2018

Monday	Tuesday	Wednesday	Thursday	Friday
2	**3** 9.30 am Licensing Driver Panel 6.00 pm Health Scrutiny (LGA Conference)	**4** (LGA Conference)	**5** 9.30 am Appeals (LGA Conference)	**6**
9 3.30 pm Leadership Liberal Democrat Group	**10** 9.30 am Licensing Panel 2.00 pm Local NJC	**11** 6.00 pm Council	**12** 2.00 pm Members Development 6.00 pm Members Development	**13**
16 4.30 pm Audit Committee (Final Accounts) 6.00 pm Royton DE	**17** 6.00 pm East Oldham DE 6.00 pm Shaw & Crompton DE	**18** 6.00 pm Planning	**19** 7.00 pm Failsworth & Hollinwood DE 7.00 pm Saddleworth & Lees DE	**20**
23 3.30 pm Leadership 6.00 pm Cabinet Liberal Democrat Group (School Holidays Start)	**24** 2.00 pm Health and Wellbeing Board (Development Session) 6.00 pm O&S Board	**25** 5.00 pm Chadderton DE 6.00 pm West Oldham DE	**26** 5.30 pm TRO Panel	**27**
30 Recess starts	**31**			

AUGUST, 2018

Monday	Tuesday	Wednesday	Thursday	Friday
		1	**2**	**3**
6	**7**	**8**	**9**	**10**
13	**14**	**15**	**16**	**17** Recess Ends
20 3.30 pm Leadership 6.00 pm Cabinet	**21** Eid Al Adha	**22** 6.00 pm Planning	**23** 6.00 pm PVFM	**24**
27 Bank Holiday	**28**	**29**	**30**	**31**

SEPTEMBER, 2018				
Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**
3 3.30 pm Leadership 6.00 pm Cabinet Liberal Democrat Group (School Holidays End)	**4** 9.30 am Licensing Driver Panel 2.00 pm Members Development 6.00 pm O&S Board	**5** 2.00 pm Members Development 6.00 pm Members Development	**6** 9.30 am Appeals 6.00 pm Audit Committee	**7**
10 5.30 pm Unity Partnership Board Liberal Democrat Group	**11** 9.30 am Licensing Panel 2.00 pm Members Development 6.00 pm Health Scrutiny	**12** 6.00 pm Council	**13** 2.00 pm Members Development 4.00 pm Standards 6.00 pm Members Development	**14**
17 Liberal Democrat Party Conference 3.30 pm Leadership 6.00 pm Cabinet	**18** Liberal Democrat Party Conference 2.00 pm Health and Wellbeing Board	**19** Liberal Democrat Party Conference 6.00 pm Planning	**20** Liberal Democrat Party Conference 5.30 pm TRO Panel	**21** Liberal Democrat Party Conference
24 Labour Party Conference	**25** Labour Party Conference 2.00 pm Local NJC	**26** Labour Party Conference	**27** Labour Party Conference	**28** Labour Party Conference

OCTOBER, 2018

Monday	Tuesday	Wednesday	Thursday	Friday
1 Conservative Party Conference	**2** Conservative Party Conference 9.30 am Licensing Driver Panel	**3** Conservative Party Conference 6.00 pm Members Development	**4** Conservative Party Conference 6.00 pm PVFM	**5** Conservative Party Conference
8 3.30 pm Leadership	**9** 9.30 am Licensing Panel 6.00 pm East Oldham DE 6.00 pm Shaw and Crompton DE	**10** 5.00 pm Chadderton DE 6.00 pm West Oldham DE	**11** 7.00 pm Failsworth and Hollinwood DE 7.00 pm Saddleworth and Lees DE	**12**
15 6.00 pm Royton DE Liberal Democrat Group	**16** 6.00 pm O&S Board	**17** 2.00 pm Members Development 6.00 pm Planning	**18**	**19**
22 3.30 pm Leadership 6.00 pm Cabinet	**23** 6.00 pm Health Scrutiny	**24** 2.00 pm Members Development 6.00 pm Members Development	**25**	**26**
29 (Half-term starts)	**30**	**31**		

NOVEMBER, 2018				
Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**
			1	**2** (Half term ends)
5 3.30 pm Leadership Liberal Democrat Group	**6** 9.30 am Licensing Committee 2.00 pm Members Development	**7** 6.00 pm Council	**8** 9.30 am Appeals 6.00 PVFM for Administration Budget	**9**
12 5.30 pm Unity Partnership Board	**13** 9.30 am Licensing Driver Panel 2.00 pm Health and Wellbeing Board	**14** 6.00 pm Planning	**15**	**16**
19 3.30 pm Leadership 6.00 pm Cabinet	**20** 9.30 am Licensing Panel 6.00 pm PVFM for Opposition Budget	**21** 6.00 pm Members Development	**22** 5.30 pm TRO Panel	**23**
26 6.00 pm Royton DE Liberal Democrat Group	**27** 2.00 pm Members Development 6.00 pm O&S Board	**28**	**29** 7.00 pm Failsworth and Hollinwood DE 7.00 pm Saddleworth and Lees DE	**30**

DECEMBER, 2018				
Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**
3 3.30 pm Leadership 6.00 pm Cabinet (Budget)	**4** 9.30 am Licensing Driver Panel 6.00 pm East Oldham DE 6.00 pm Shaw and Crompton DE	**5** 5.00 pm Chadderton DE 6.00 pm West Oldham DE	**6** 9.30 am Appeals 6.00 pm Members Development	**7**
10 Liberal Democrat Group	**11** 9.30 am Licensing Panel 2.00 pm Local NJC 6.00 pm Health Scrutiny	**12** 6.00 pm Council	**13** 6.00 pm PVFM	**14**
17 3.30 pm Leadership 6.00 pm Cabinet Liberal Democrat Group	**18** 2.00 pm Health and Wellbeing Board (Development Session)	**19** 6.00 pm Planning	**20**	**21** (Half-term starts)
24	**25** Christmas Day Bank Holiday	**26** Boxing Day Bank Holiday	**27**	**28**
31 New Year's Eve				

JANUARY, 2019

Monday	Tuesday	Wednesday	Thursday	Friday
	1 New Year's Day Bank Holiday	**2**	**3**	**4** (Half-term ends)
7	**8**	**9** 2.00 pm Members Development 6.00 pm Members Development	**10** 9.30 am Appeals 6.00 pm Audit	**11**
14 3.30 pm Leadership Liberal Democrat Group	**15** 9.30 am Licensing Driver Panel 6.00 pm East Oldham DE 6.00 pm Shaw & Crompton DE	**16** 6.00 pm Planning	**17** 4.00 pm Standards 7.00 pm Failsworth and Hollinwood DE 7.00 pm Saddleworth and Lees DE	**18**
21 10.00 am Independent Remuneration Panel 6.00 pm Royton DE	**22** 9.30 am Licensing Panel 6.00 pm O&S Board	**23** 5.00 pm Chadderton DE 6.00 pm West Oldham DE	**24** 2.00 pm Members Development 6.00 pm PVFM (Administration Budget)	**25**
28 3.30 pm Leadership 6.00 pm Cabinet	**29** 2.00 pm Health and Wellbeing Board 6.00 pm Health Scrutiny	**30** 2.00 pm Members Development 6.00 pm Members Development	**31** 5.30 pm TRO Panel	

FEBRUARY, 2019

Monday	Tuesday	Wednesday	Thursday	Friday
				1
4 Liberal Democrat Group	**5** 9.30 am Licensing Driver Panel 6.00 pm PVFM (Opposition Budget)	**6** 2.00 pm Members Development 6.00 pm Members Development	**7** 6.00 pm Members Development	**8**
11 3.30 pm Leadership 6.00 pm Cabinet (Budget)	**12** 9.30 am Licensing Panel 5.30 pm Unity Partnership Board	**13** 6.00 pm Planning Committee	**14**	**15**
18 (Half-term starts)	**19**	**20**	**21**	**22** (Half term ends)
25 3.30 pm Leadership 6.00 pm Cabinet Liberal Democrat Group	**26** 2.00 pm Health and Wellbeing Board (Development Session)	**27** 6.00 pm Council (Budget)	**28**	

MARCH, 2019				
Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**
				1 Mayor's Ball
4 6.00 pm Royton DE	**5** 9.30 am Licensing Committee 6.00 pm O&S Board	**6** 5.00 pm Chadderton DE 6.00 pm West Oldham DE	**7** 9.30 am Appeals 6.00 pm Audit Committee	**8**
11 3.30 pm Leadership	**12** 9.30 am Licensing Driver Panel 6.00 pm East Oldham DE 6.00 pm Shaw & Crompton DE	**13** 6.00 pm Planning Committee	**14** 7.00 pm Failsworth & Hollinwood DE 7.00 pm Saddleworth and Lees DE	**15**
18 Liberal Democrat Group	**19** 9.30 am Licensing Panel 2.00 pm Local NJC 6.00 pm Members Development	**20** 6.00 pm Council	**21** 6.00 pm PVFM	**22**
25 3.30 pm Leadership 6.00 pm Cabinet	**26** 2.00 pm Health and Wellbeing Board 6.00 pm Health Scrutiny	**27** 2.00 pm Members Development 6.00 pm Members Development	**28** 4.00 pm Standards 5.30 pm TRO	**29**

APRIL, 2019				
Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**
1 3.30 pm Leadership	**2** 9.30 am Licensing Driver Panel	**3**	**4** 9.30 am Appeals	**5**
8 (Half-Term starts)	**9** 9.30 am Licensing Panel	**10** 6.00 pm Planning	**11**	**12**
15 3.30 pm Leadership 6.00 pm Cabinet	**16**	**17**	**18**	**19** Good Friday
22 Easter Bank Holiday Monday (Half-term ends)	**23**	**24**	**25**	**26**
29	**30**			

MAY, 2019				
Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**
		1	**2** Election Day	**3**
6 Bank Holiday	**7**	**8** Liberal Democrat Group	**9**	**10**
13	**14**	**15**	**16**	**17**
20 Liberal Democrat Group	**21**	**22** 12.00 noon Annual Council	**23**	**24**
27 Bank Holiday	**28**	**29**	**30**	**31**

Ramadan starts 5th May 2019

Report to COUNCIL

Constitutional Amendments

Officer Contact: Paul Entwistle, Director of Legal Services

Report Author: Liz Drogan, Head of Constitutional Services
Ext: 4705

23rd May 2018

Reason for the Decision
To present to the Full Council proposed changes/Amendments to the Constitution.

Recommendations
1. That the proposed amendments/changes to the Constitution as detailed within the report are approved.
2. To agree that any future changes to the Specific Officer Functions be delegated to the Monitoring Officer and reported to the next available Council.

1. Report details

1.1 Some work has been undertaken with the Constitutional Working Group to create a more accessible and simpler Constitution to ensure accessibility, openness and transparency. The changes proposed are:

<u>Part 2 – Articles – A review</u>

- Tidying up of the articles generally
- Article 4 – Full Council - Inclusion of the Youth Justice Plan in the Policy Framework
- Article 6 – Overview and Scrutiny - Broader description of the Health Scrutiny Committee
    - Inclusion of Statutory Scrutiny Officer
    - Deletion of the prioritisation framework and this is not required to be contained in the Articles
    - Deletion of Joint Scrutiny arrangements as they will appear in the Joint arrangements section at Part 3.
- Article 7 – Slight amendments to wording of the Cabinet description to clarify in addition to the Leader the Cabinet can be between 2 and 9 Councillors and the clarifying the Council decision on a Leader's term of office.
- Article 8 – Regulatory and other Committees
- Article 9 – Standards Committee
- Article 10 – Removal of Audit Committee – The reference at this section this is historic and should sit under Part 3 Responsibility for functions (Council functions)
- New Article 10 – District Executives – Terms of reference will be inserted at Part 3 of the Constitution as part of Functions.
  A table will list the Wards and number of Members. .
- New Article 11 – Town Centre Business Partnership – Terms of reference will be inserted at Part 3 of the Constitution as part of Functions.
- New Article 12 – Joint arrangements – Inclusion of the General Power of Competence
    - Amendment to include the compliance with the the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012.
    - Inclusion of Joint Arrangements with other Public Bodies
    - Removal of Governance Arrangements Document (GAD)
- New Article 13 – Officers
- New Article 14 – Decision Making – New Introduction and further information on categories of decisions.
  <u>Key Decision – Definitions</u>
    - Amend the definition (vii) to delete per annum and replace with over the term of the agreement.
    - vii. Securing approval in principle to the taking of, or the granting, renewal, assignment, transfer, surrender, taking of surrenders, review, variation or termination of any leases, licences, easements or wayleaves, at considerations in excess of £250,000 over the term of the agreement or a premium of £250,000.
- New Article 15 - Finance, Contracts and Legal Matters
- New Article 16 – Review and Revision of the Constitution

- New Article 17 - Suspension, Interpretation and Publication Of The Constitution.
- New Article 18 – Health including the Health and Wellbeing Board and Health Scrutiny

Part 3 – Responsibility for Functions

Introduction about the Council's functions Executive/Council split

1. Inclusion of Local Choice Functions
2. (a) Full Council Functions

   (b) Council Committees Terms of Reference and inclusion of Independent Panel. Amendment of the Audit Committee Terms of Reference to address the new lines of accountability for the Data Protection Officer appointed under The General Data Protection Regulations.
3. Overview and Scrutiny

Responsibility for Executive Functions with sub headings:

4. (a) Cabinet Functions
4. (b) Role of the Leader and Cabinet Members
4. (c) Cabinet Member Portfolios
4. (d) Individual Cabinet Member Decisions
4. (e) Delegation to Elected Members - Ward Budgets
5. (a) Officer Scheme of Delegation
5. (b) General Delegations to Officers
5. (c) Delegations to Specific Officers
   - To request that any future changes to the Specific Officer functions be delegated to the Monitoring Officer and reported to the next available Council
   - Joint Arrangements to include appendices at the end of Part 3 with the Terms of reference of the Joint Committee.

Part 4 – Rules of Procedure

Council Procedure Rules

6.4 –Clarification that public questioners are entitled to two minutes to ask a question.

Cosmetic changes to contents page – simplified

Contract Procedure Rules

The amendments to the Council's Contract Procedure Rules have been proposed to address some of the issues which have emerged over the past year since the Rules were last amended and the requirements of new legislation, government guidance and codes of practice:

- Inert new rule Rule 1.10.10, to clarify the position about the exclusion of grants from the Rules provided the grant is not a contract for services.
- Rule 2.4 Reference to be made to the Council's additional obligations imposed by the General Data Protection Regulation.
- Rule 2.5 New Rule to address collaborative arrangements with other public organisations to ensure compliance with public procurement legislation and value for money.
- Rule 4.3 Amendment to the Rule and the table to ensure compliance with the Public Contracts Regulations 2015 the Local Government Transparency Requirements England Regulations 2014 and Local Government Transparency Code.
- Rule 5.1 Deleted because all quotations have to be in writing.

- Rule 5.2 All quotations for goods and services with a contract value of over £25K must be advertised and therefore must be advertised on Contracts Finders to comply with the mandatory section of the Local Government Transparency Code.
- Rule 7.4 New reference to the Competitive Dialogue Procedure to derive innovative ideas and value for money for complex projects.
- Rule 11.1.3 Clarified the threshold of £10Kfor the Head of Commercial Services to open requests for quotations on The Chest.
- Rule 12.2 Amendments to the Rule dealing with clarifications and abnormally low bids to ensure seek legal advice.
- Rule 13.6 Deleted to remove reference to interviews with bidders for clarification purposes because a risk of post bid variations.
- Rule 14 – Change to threshold – less than £10,000 1 quote and recorded Purchase order and £10,000 and £25,000 3 quotes and recorded by Purchase Order.
- Rule 14.1 Remove the column in the table entitled procedure to prevent confusion with the table in Rule 4.3.
- Rule 14.2 Amplification of the Rule dealing with the formalities of Contract Award.
- Rule 14.6 New Rule to incorporate the Council's standard terms and conditions in the award letter unless a separate bespoke
- Rule 14.7 Reminder inserted to publish contract award on Contracts Finder if the contract is advertised on Contract Finder.
- Rule 14.8 Deleted not necessary to register all contracts on Modern Gov because registered on the Council's Contracts Register.
- Rule 14.9 Deleted because reference to publication on Contracts Finder in Rule 14.7 above.
- Rule 16.2 Reinsertion of a previous Rule dealing with retentions to provide additional protection for the Council.
- Rule 17.1 Amendment to the Rule to align with Regulation 72 in the Public Contracts Procedure Regulations.
- Rule 17.2 Deleted because the wording in the Rule was ambiguous causing confusion.
- Rule 17.2 (f) Deleted because the threshold of 50% increase in contract value has been inserted in Rule 17.1 in alignment with Regulation 72.
- Rule 17.3 Renumbered. Deleted Rule 17.2 (f) because no longer required following amendments in Rule 17.1
- Rule 17.4.1 Inserted a reference to the table in Rule 14.1.to clarify the relevant decision maker.
- Rule 20.1 Strengthening the Rule for monitoring contracts.

Financial Procedure Rules

Business Units

- Delete para 2.31 – Business Units
- Delete pages 111-127 – Business Unit Financial Procedure Rules and Business Unit Contract Procedure Rules

Part 5 - Codes and Protocols

- General cosmetic changes and formatting.

Officer Code of Conduct

- Amendments are required to sections of Appendix 4, due to the legislative changes brought about by the General Data Protection Regulations (GDPR).

Appendix Four - Access to Information and Information Technology Guidelines

Data Protection

- Amendments have been made at paras 4.1, 4.2 and 7.9 to reflect GDPR changes

Protocol for Members/Officer working Arrangements

Members' Access to Information and To Council Documents

- An amendment has been made to para 10.6 to reflect the GDPR changes

2. Options (including recommended option)

2.1 Option 1 – To approve the recommendations to amend/simplify the Constitution.
Option 2 – Not to approve the recommendations to amend/simplify the Constitution

3. Financial implications

3.1 n/a

4. Legal implications

4.1 The Council is under a duty to review the Constitution annually.

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Report to Council

Members' Allowances Scheme

Report Author: Paul Entwistle, Director of Legal Services
Ext:4822

23rd May 2018

1 **Background**

1.1 Each year the Council is required to approve the Members' Allowances Scheme. An Independent Remuneration Panel is established to make recommendations on the level of Member allowances.

1.2 The Panel considered information from the Leader and the Leader of the Opposition on special responsibilities.

1.3 The Panel also considered the Members' Allowances schemes within Greater Manchester.

1.4 The Panel made the recommendation that the Members' allowances for 2018/19 should remain the same as in 2017/18 but with increases linked to the officer pay increase. The relevant officer pay increase for 2018/19 is 2%

2 **Recommendation**

2.1 Council are asked to consider the recommendations of the Independent Remuneration Panel.

2.2 Council are asked to agree a Members' Allowances Scheme for 2018/19. Appendix 1 to this report details the scheme.

The following is a list of background papers on which this report is based in accordance with the requirements of section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act.

- File ref: Constitutional File
- Records held in Legal Department, Room 327.
- Contact name: Paul Entwistle – Director of Legal Services
- Contact no: 0161 770 4822

Appendix 1

Position	Index	Explanatory Note	Amount
All Members of the Council		BASIC ALLOWANCE	£9,519
All Positions set out below		**SPECIAL RESPONSIBILITY ALLOWANCE (SRA)**	
Leader	100%	Fixed point for the SRA's where indicated, to be set at 3 times the basic members allowance. Combined Authority Element	£28,557 £5,711
Deputy Leader	70%		£19,990
Main Opposition Leader	50%		£14,279
Deputy Main Opposition Leader	20%		£5,711
Executive Members	60%		£17,134
Chairs of: Licensing Planning Overview & Scrutiny Board Performance & Value for Money Board Health and Well-being Board Oldham care & Support Company Unity	30%		£8,567
Deputy Executive Member	25%		£7,139
Assistant to Cabinet Member	8%		£2,285
District Executive Chairs:			
Oldham East District			£6,853
Oldham West District			£5,998
Chadderton			£5,998
Saddleworth			£5,998
Failsworth & Hollinwood			£5,998
Royton			£5,140
Shaw & Crompton			£5,140
Vice-Chair of Oldham District			£2,569
Shadow Executive Members	10%		£2,856
Shadow Deputy Executive Member	5%		£1,428
Minority Opposition Leader (provided the group has 6 members)	15%		£4,284
Additional SRA: The Leader to notify the Chief Executive and the recipients of this allowance and the responsibilities undertaken. (Currently Labour 5, Lib Dem 2)	5%		£1,428
Co-opted/Independent Members of Audit and Standards Committee	n/a		£389
Chair of Audit Committee	n/a		£2,106
Chair of Standards Committee	n/a		£666

Refreshment Allowance Mileage		Subsistence when absent from normal place of residence Breakfast Lunch Evening Meal	 £7 £8 £14 45p per mile for first 10,000 miles, outside the borough, per annum and a rate of 25p per mile over 10,000 miles
Mayoral Allowance	n/a		£14,934
Deputy Mayoral Allowance	n/a		£2,934
Transport for Greater Manchester			£4,069

Council should note that while there is a normal rule of only one Special Responsibility Allowances per member given by the Council, there is an exception enabling a member to receive a SRA as a member of Transport for Greater Manchester, as Unity Chair and at the same time another SRA from the Council.

The Transport for Greater Manchester allowance will be subject to future decisions made by the Combined Authority.

Report to COUNCIL

European Union Referendum – Impact on Oldham and Greater Manchester

Officer Contact: Tom Stannard, Director of Economy & Skills

Report Author: Tom Hewitt, Strategy, Partnerships & Policy

Jon Bloor, Head of Service Economy, Skills & Lifelong Learning

Ext. (0161) 770 5152

23 May 2018

Reason for Report

Following the UK referendum on continuing membership of the EU held on 23 June 2016, the implications of the "leave" result are now starting to be better understood.

This report provides an update following a December 2017 report to Council on the potential implications of the vote for Oldham and Greater Manchester and is focussed primarily on the recently announced transition period and the key issues of future funding arrangements replacing existing EU funding.

Executive Summary

On the 19 March 2018 UK Government and the European Union announced a shared transition arrangement for the UK. The transition will run from 31 March 2019 to 31 December, 2020 (21 months).

During this period the two sides can work out the finer details of the future relationship that will continue to evolve over the coming years.

The transition deal addresses three of the most contentious issues identified in the last report:

- **The rights of EU citizens** in the UK – and UK citizens in the EU – to live, work and study will remain the same, and they will retain the right to family reunification, healthcare and social security.
- **Northern Ireland** - As part of the transition deal Northern Ireland will remain in "full alignment" with the EU's single market and customs union in order to uphold the 1998 Good

Friday Agreement. The backstop would, most significantly, see a commitment to no hard border between Ireland and Northern Ireland.

- **UK financial contribution -** The latest estimate for the size of the **UK's 'divorce bill' with the EU is £35-39 billion**, which is roughly €39-43 billion.

For the current funding period from 2014-20 for England and the devolved administrations in the UK had been set to receive a total of €10.5 billion (£8.4 billion) from the EU Structural and Investment Funds (ESIF).

The Chancellor has confirmed that this funding will be guaranteed by UK Government up to 2020. Replacement funding will form part of the Governments Shared Prosperity Fund (SPF).

Greater Manchester would expect the level of SPF made available to be at least the same value as the current ESIF programme, plus public match funding. **To replicate the value of the current 7 year ESIF programme this would require £645.50m.**

ESIF places particular constraints on the use of funding. There is an opportunity for future funding to be more flexible, supporting both capital and revenue expenditure.

With many charities reporting concern about the impact of the referendum result on future funding there is an opportunity to support a more sustainable funding arrangement for the Voluntary, Community and Social Enterprise Sectors (VCSE).

On the 19 March 2018, the Housing, Communities and Local Government Select Committee held a hearing in Manchester with three of England's Regional Elected Mayors and a representative from the London Assembly. Discussed were the group's priorities from UK Government to support regional growth and employment in light of Brexit, these are:

- **Skills funding and devolution**
- **Replacement of EU funding stream**
- **Future Deals on migration**
- **Taking back laws and powers from the EU to a regional level**

The Chamber of British Industry (CBI), which represents 190,000 UK businesses, brings together six principles which it recommends should underpin UK Government's negotiation to leave the European Union:

1. A barrier-free relationship with the EU, our largest, closest and most important trading partner
2. A clear plan for regulation that gives certainty in the short-term, and in the long-term balances influence, access and opportunity
3. A migration system which allows businesses to access the skills and labour they need to deliver growth
4. A renewed focus on global economic relationships, with the business community at their heart
5. An approach that protects the social and economic benefits of EU funding
6. A smooth exit from the EU, avoiding a "cliff-edge" that causes disruption

Local Government currently has a formal advisory role in EU law and policy-making process. The LGA, together with the local government associations in Wales, Scotland and Northern Ireland, have been in discussion with the UK Government about how this advisory role might be replicated in UK law.

Greater Manchester faces particular risk as **the EU accounted for 58% of goods exports from Greater Manchester** firms in 2015, representing a greater reliance on the EU as an export market than the average for England as a whole (42%).

In previous recessions Oldham's economy has been impacted hardest and recovery is more difficult and takes longer than other areas of the UK. This must be both recognised and addressed proactively and positively as the impact of Brexit becomes clearer.

It is essential that there is **recognition, understanding, support and investment** from the Government and Greater Manchester to **mitigate the impacts of any adverse economic shocks to ensure** economic and **social resilience for the people of Oldham**.

This could be lobbied for through the Greater Manchester Mayor, as well as regional Mayors network and the Local Government Association.

Through the Oldham Partnership the Council and key partners will continue to monitor the impact of the Brexit process across all areas of Partnership activity (Thriving Communities, Cooperative Services and Inclusive Economy).

Recommendation:

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

1.0 Progress on Brexit since previous report - December 2017

1.1 Agreement to a transition deal

The UK and EU have agreed to a **transition deal**, or implementation period. This is **a 21 month period between March 2019 and December 2020** where the two sides can work out the finer details of the relationship that will evolve over future years.

Note: a guide timetable for Brexit is provided in Appendix 1

1.2 What is the transition period?

Both the UK and the EU wanted a period of time after 29 March 2019 to get everything in place and allow businesses and others to prepare for the moment when the new post-Brexit rules between the UK and the EU begin.

It also allows more time for the details of the new relationship to be fully agreed. The EU wanted the transition period to last until 31 December 2020 to align with the EU budget cycle which will be signed off in March 2021.

1.3 What is likely to happen after the transitional period?

Negotiations about future relations between the UK and the EU can start now that the transition phase has been agreed. Both sides hope this can be done during March and April 2018, to allow six months of talks to agree the outline of future relations on things like trade, travel and security. If all goes to plan this deal could then be given the go ahead by both sides in time for the start of the transition period on 29 March 2019.

1.3.1 The Prime Minister delivered a speech setting out her thoughts on the UK and EU's future relations on 2 March, 2018.

1.3.2 The Prime Minister outlined the need for future negotiations to meet five foundations:

1- The agreement with the EU will need reciprocal binding commitments to ensure fair and open competition;

2- An arbitration mechanism that is completely independent from the EU and UK to resolve disagreements;

3- Ongoing dialogue with the EU to ensure the means to consult each other regularly, in particular in areas such as regulation;

4- Arrangements for data protection that permit the free flow of data, and effective representation in the EU's new 'one stop shop for disputes';

5- Maintaining links between citizens, as whilst the free movement of people will end, the UK must continue to have access to the skills it needs.

1.3.3 **The Prime Minister (PM) has committed to leaving the Customer Union** as part of any deal after the transition period. The current Government policy position is that this will be replaced by either a customs partnership or a highly streamlined customs arrangement.

The PM proposed a new customs agreement with the bloc, stating that the UK did not want to see the introduction of any tariffs or quotas and **ensure the products only need to have one series of approvals to ensure passage of goods in the EU and UK**.

1.3.4 The **PM conceded that Britain would be affected by its decision to leave the customs union** and single market and said that Britain was prepared to mirror high European standards and state aid rules.

1.4 Core Issues left to resolve

Original proposals by UK Government intended to resolve three core issues before transitional arrangements, these are: to resolve citizen rights (section 1.4.1), the Irish border (1.4.2) and outstanding financial contributions to the EU annual budget (1.4.3). In addition to this, it will be vitally important to agree future funding arrangements to replace current European Structural Investment Funding. (ESIF) (See section 2.0).

1.4.1 Rights of EU citizens in the UK and UK citizens in the EU after Brexit

The rights of EU citizens in the UK – and UK citizens in the EU – to live, work and study will remain the same, and they will retain the right to family reunification, healthcare and social security.

Under the deal, the rights of EU citizens in the UK will be protected by UK law, rather than the European Court of Justice (ECJ), but the case law of ECJ will remain relevant in UK courts for a further 8-year period following the cut-off date (fixed at the date of the UK's withdrawal).

In addition, the UK Government will bring forward the Withdrawal Agreement & Implementation Bill, specifically to implement the agreement, which will fully incorporate the citizens' rights part of the agreement into UK law.

1.4.2 The Irish border

Under this option, Northern Ireland will remain in "full alignment" with the EU's single market and customs union in order to uphold the 1998 Good Friday Agreement. The backstop would, most significantly, see a commitment to no hard border between Ireland and Northern Ireland.

The UK had already assured that there would be no hard border between Northern Ireland and the Republic of Ireland after Brexit, though it did not present a solution for leaving the single market and customs union whilst not having border checks.

The backstop option would mean alignment between the north and south for customs, VAT, energy, regulations for the protection of the environment and laws governing agriculture and fisheries. Northern Ireland would also have to adhere to EU rules on State Aid and would be under the jurisdiction of the European Court of Justice in those aforementioned areas.

1.4.3 Costs of exiting the EU

The latest estimate for the size of the UK's 'divorce bill' with the EU is £35-39 billion, which is roughly €39-43 billion.

This is based on calculations the UK and EU have agreed, although the final value may still change. On 11 December 2017, the Prime Minister confirmed that the UK and the EU have agreed "the scope of commitments, and methods for valuations and adjustments to those values." The calculations are an estimate of the UK's commitments to the EU, valued according to a set of agreed principles. The bill is made up of:

- The UK's contribution to EU annual budgets up to 2020;
- Payment of outstanding commitments; and
- Financing liabilities up to the end of 2020.

The Prime Minister said that this is "subject to the general reservation that nothing is agreed until everything is agreed". The offer depends on agreements in the next stage of talks about the UK's future relationship with the EU.

2.0 Future Funding Arrangements

2.1 For the current funding period from 2014-20 for England and the devolved administrations in the UK had been set to receive a total of €10.5 billion (£8.4 billion) from the EU Structural and Investment Funds (ESIF) allocations for the period 2014–20. The Chancellor allayed concerns voiced by Local Government and the Voluntary, Community & Social Enterprise Sector (VCSE) regarding the current funding period by guaranteeing all funding during this period regardless of the negotiations to leave the EU.

2.2 The Department for Communities and Local Government (DCLG) has been tasked to work across departments to develop a consultation on successor funding for ESIF. This 'Shared Prosperity Fund' (SPF) is being designed to reduce inequalities between communities, delivering sustainable, inclusive growth. There is also an opportunity for the Fund to provide a greater level of flexibility than existing EU funding.

2.3 Greater Manchester would expect the level of SPF made available to be at least the same value as the current ESIF programme, plus public match funding. **To replicate the value of the current 7 year ESIF programme this would require £645.50m**, plus any future Local Growth Funding.

2.4 Opportunity for greater flexibility

ESIF places particular constraints on the use of funding. Future funding should be flexible enough to be used for both capital and revenue purposes, for Greater Manchester this would support innovations pioneered by Greater Manchester in terms of the creation of local revolving investment funds (Evergreen), as well as grants to meet the needs of the local areas, particularly linked to skills, employability and training.

2.4.1 In a July 2017 report, 'Beyond Brexit', the Local Government Association suggest that three options for UK regional funding are possible following Brexit, these are as follows (see appendix 4 for the full LGA report):

Option 1: 'No change'	- Successor scheme, but no change to design or delivery. - Avoids the risks of hiatus or withdrawal, but locks current programme inflexibilities into the new arrangements. - Introduces a higher risk of funding programme fragmentation, i.e. structural money that flows back to the UK is allocated to individual Whitehall departments and distributed on a ring-fenced basis, thus leaving less flexibility for local targeted funding. - Local areas have less ability to adapt to 'unknown' post-Brexit scenarios. - Not considered to be a realistic or desirable long-term arrangement.
Option 2: 'Innovative'	- Big step forward. Opportunity for major devolution of decision making. - Integration of all former ESIF funding programmes into flexi-fund single pot allocation, which is devolved to all Functional Economic Areas (FEAs). - No reduction in overall value, non-silo approach and less ring-fenced. - Better shaped to national/local outcomes (rather than process) and linked closely to the devolution agenda, as well as linking to relevant pillars of the Industrial Strategy (HM Government[a], 2017). - Local areas also have greater ability to adapt to unknown post-Brexit scenarios.
Option 3: 'Fully integrated'	- As Option 2 (e.g. single pot allocation, flexi-fund for unknown post-Brexit scenarios, linking to Industrial Strategy) aimed at creating maximum benefits for the local economy, post-Brexit. - Builds on this option by enabling the greatest flexibility for local areas to seek, bid and incorporate funding streams range from funding programmes beyond structural funds (such as Horizon 2020 or the European Investment Bank (EIB) funding); - Incorporates and consolidates the full quantum of funding on supporting growth and regeneration, which is currently spread across 70 funding streams, managed by 22 government departments and agencies (LGA / Shared Intelligence)

2.5 The Potential Impact on the Voluntary, Community & Social Enterprise Sectors (VCSE)

The VCSE State of the Sector report describes increasing concern about the impact of Brexit on future funding support. The report found that in 2015, UK charities benefitted from at least £258.4 million from EU funding

As discussed in section 2-2.4 the Government's commitment to funding up to 2020 and the future Shared Prosperity Fund provide some certainty for the sector.

Many charities have reported that they are also deeply concerned about the impact of the referendum result on their ability to recruit and retain staff.

2.5.1 It will be important that at a local level Council's monitor the health of the VCSE sector to ensure sustainability of existing support and to ensure the sector is equipped with the skills to thrive as the way public services and funding continue to evolve.

3.0 View from Department for Housing, Communities and Local Government Select Committee and English Regional Mayors

3.1 In January, 2018 Clive Betts MP, Chair of the Government's Housing, Communities and Local Government Select Committee, communicated recommendations of the Committee based on evidence received for the Secretary of State for Housing, Communities and Local Government (Sajid Javid MP) that there must be consideration of key questions in the following areas:

- The replacement of EU funding streams
- Changes in the EU workforce
- Retaining, amending and repealing EU legislation
- Representation of local government in the Brexit negotiations and beyond

3.2 On 19 March, the Housing, Communities and Local Government Select Committee held at hearing in Manchester with three of England's Regional Elected Mayors (Andy Burnham from Greater Manchester, Ben Houchen, Tees Valley, and James Palmer from Cambridgeshire and Peterborough,) and London Assembly Member, Len Duvall. The debate was on Brexit, the potential impact to their regions and specifically what they would like to see from UK Government.

3.3 Whilst opinions differed on the level of optimism and confidence in UK Government to deliver a Brexit that works for the whole of the UK, there were several areas of agreement on what the Government should do to support both city regions and regional and local Government in whatever form to deliver for people across the UK.

- **Skills funding and devolution-** It is acknowledged in the Government's Industrial Strategy that skills will be a barrier to future growth, and that this is not fully addressed across all sectors of the economy from early years and right through to adult lifelong learning and retraining. It is vital that skills funding, where possible, is devolved to local areas and that funding – particularly current EU funding – is provided to support the UK's regions.

  Replacement of EU funding stream- certainty is needed to ensure that the Future Prosperity Fund announced by the Government in the Autumn Statement. The fact that this forms a part of the Industrial Strategy gives clarity to city regions, such as Greater Manchester and the Tees Valley.

- **Future Deals on migration**- the skills requirements from the Cambridge City Region are very different from those of Greater Manchester, and in the short to medium term it is vital for the success of key employment sectors that employers have access to the European and international labour market to meet demand for high level skills in areas such as digital, life sciences and Nuclear sectors.
- **Taking back laws and powers from the EU and Brussels** to Whitehall will not go far enough. This should be backed up with further devolution of powers to Local Government and regional bodies, such as Combined Authorities and Local Economic Partnerships.

4.0 Future role of Local Government

4.1 The European Union (Withdrawal) Bill will convert the entire body of EU law into UK law, with the intention of allowing businesses to continue operating and providing fairness to individuals, knowing the rules have not changed when the UK leaves the EU. This legal certainty must be given to councils too.

EU laws impact many of the council services that affect people's day-to-day lives, from protecting people from unsafe food when they eat out to regulating how councils buy goods and services.

4.2 **Formal advisory role:** Local government has a formal advisory role in the EU law and policy-making process through its membership of the EU Committee of the Regions (CoR). Formally involving local government in law-making has ensured that EU laws are improved by the experience of those at the frontline of delivery. The Prime Minister has made a commitment that the same rules will apply on the day after exit as on the day before.

4.3 The LGA believes the **Government needs to replicate this formal advisory role for local government** without recreating the institution of the Committee of the Regions.

4.3.1 The LGA, together with the Local Government Associations in Wales, Scotland and Northern Ireland, have been in discussion with the UK Government about how this advisory role might be replicated in UK law.

The LGA's ambition is to replicate the advisory role of local government in the UK post-exit, without creating new bureaucracies, and to help continue our role in good law-making and ensure no deficiency in local government powers. The Government has been asked to update Parliament on the progress of these discussions as soon as possible.

4.3.2 **Devolution:** Former EU powers will start to be reviewed after the Bill is passed. Brexit should not simply mean a transfer of powers from Brussels to Westminster, Holyrood, Stormont and Cardiff Bay. It should lead to new legislative freedoms and flexibilities for councils so that residents and businesses benefit. Taking decisions over how to run local services closer to where people live is key to improving them and saving money.

4.3.3 **EU funding:** Continued participation in the Multi-annual Financial Framework 2014-20 is welcome as a short-term solution, but it is now essential that this funding to local areas is fully replaced from 2021. More detail is needed on a locally led successor to EU regional aid to stop an £8.4 billion UK-wide funding gap for local communities opening up at this point

5.0 UK Government economic analysis on the impact of leaving the European Market

5.1. The Government's impact assessment on leaving the European Union was formally released on the 8 March (see appendix 3).

It is important to note that this does not model for a bespoke trade deal, explained by the fact the Prime Minister has yet to set out what this would look like. The Government has stated that a final economic analysis would be published once a final deal had been negotiated with the EU. Some key issues from the report are shown below.

5.1.2 The paper, drawn up by economists from across Whitehall departments, reflects the best attempt by the Government to assess what will happen to Britain in the 15 years after Brexit under three different scenarios.

- The first would see Britain leaving under a **Norway**-style deal giving access to the EU single market;
- The second a **Canada**-style free trade agreement;
- The third, a "no deal" outcome, where Britain traded with the EU on **World Trade Organization** terms.

5.2 The main findings of the paper are:

- GDP would be 2 per cent lower in 15 years' time than it would have been under the Norway model; 5 per cent lower under the Canada model; and 8 per cent lower under the WTO model.
- In terms of public finances, Britain would need to borrow £20bn more by 2033 under the Norway model, £55bn under Canada and £80bn under WTO.
- The report concludes that regulatory divergence, which is seen by 'Brexiters' as a potential competitive advantage for the UK, will actually cost businesses more in terms of new compliance costs in trade with the EU. It looks at various sectors under the three Brexit scenarios and the extra costs for each sector in percentage terms, this is detailed in fig 1 below.

5.2.1 Sector Impact by scenario taken from the paper:

Fig 1 Extra cost of Brexit scenarios in percentage terms by sector

Sector	Norway	Canada	WTO
Chemicals	6	12	12.5
Agriculture	8	15	18
Food & Drink	8	14	17
Defence/education/ health	6	11	18
Retail	7	8	20
Manufacturing	5	10	12

5.2.2 The report ranks the importance of trade access to the EU on a scale of 0-1 across various sectors (1 being highest) The top three are detailed in figure 2 below.

Pharmaceuticals	1
Automotive	0.9
Chemicals	0.8

Fig 2

5.2.3 The paper concludes that if Britain cuts free movement from the EU and applies the same visa regime that it currently applies to nationals from non-European countries, this would lead to GDP being 1.1 per cent lower by 2033.

5.2.4 The impact of migration to specific sectors is covered in the report to Council in December. The impact on Greater Manchester will be monitored through the Greater Manchester Brexit Monitor which is included as an appendix to this report.

5.3 Impact on the UK's EU neighbours

The impact of Brexit on Ireland is estimated to be much larger, with the country facing a reduction in total exports equal to 4.0 per cent. There are also large effects for Belgium and the Netherlands, but these might be amplified by what is known as the "Rotterdam effect" of large volumes of goods passing through the port complexes of Rotterdam, Antwerp, and Zeeb.

6.0 Economic Outlook and the View from Business

6.1 There has been significant feedback from business groups, Local Economic Partnerships and think tanks on the potential impact of Brexit on industry sectors, some of which is covered in the report to Council in December 2017.

6.1.1 The Confederation of British Industry (CBI) provides the most comprehensive analysis to date on the threats and opportunities of Brexit based on the views of the CBIs 190,000 members.A survey of 23 industries indicated the vast majority of sectors would still prefer ongoing alignment with EU regulations.

6.1.2 Carolyn Fairbairn, the CBI Director-General, warned there was no desire on the part of the majority of British businesses to do away with EU regulations entirely ahead of Brexit negotiations on the future EU-UK trade deal.

6.1.3 The CBI report 'Smooth Operation' explains that for the majority of businesses, diverging from EU rules and regulations will make them less globally competitive, and so should only be done where the evidence is clear that the benefits outweigh the costs.

The report does highlight that tourism, shipping and agriculture could benefit from reduced EU regulations, but stressed that this would be outweighed by the impact on other sectors.

6.1.4 The CBI provides a full sector by sector guide e.g. Construction, Chemicals & Plastics and Financial Services. This information can be found on the CBI website.

http://www.cbi.org.uk/business-issues/brexit-and-eu-negotiations

6.1.5 Consultation with the businesses that the CBI represents brings together six principles that should guide the UK Government's negotiation to leave the European Union:

1. A barrier-free relationship with our largest, closest and most important trading partner
2. A clear plan for regulation that gives certainty in the short-term, and in the long-term balances influence, access and opportunity
3. A migration system which allows businesses to access the skills and labour they need to deliver growth

4. A renewed focus on global economic relationships, with the business community at their heart
5. An approach that protects the social and economic benefits of EU funding
6. A smooth exit from the EU, avoiding a "cliff-edge" that causes disruption

6.2 The View from Business in Greater Manchester

6.2.1 The view from businesses in Greater Manchester is mixed. This is to be expected given that there has been no deal agreed on the future trading relationship with the EU. It is also difficult to separate out the challenges facing businesses relating to Brexit uncertainty with those of international exchange rates, national taxation policy and operational considerations such as land and local supply chain.

6.2.2 The EU accounts for 58% of goods exports from Greater Manchester firms in 2015, representing a greater reliance on the EU as an export market than the average for England as a whole (42%) - making it more vulnerable to changes in trade agreements. Greater Manchester could be impacted by up to £150 million reduction in exports.

6.2.3 The Greater Manchester Brexit Monitor (monthly) (appendix 5) and GM Business Survey (2017) provide an insight into the decision making of businesses in Greater Manchester and the UK.

6.2.4 The most recent Brexit Monitor continues to forecast long term growth in Greater Manchester to be lower due to Brexit because of lower net migration, less trade and lower productivity.

The 2017 GM Business Survey found that 85% of firms are experiencing rising costs and this has been seen most strongly in the cost of raw materials. More than half indicated that they were suffering due to increases in raw materials. Research undertaken with Greater Manchester Growth Hub clients in the 3 months to the end of February 2018 shows a continuing rise in uncertainty, with 34% of firms unsure what the impact of Brexit would be on investment plans (up from 22% from October-December 2017).

6.2.5 There is similar uncertainty from companies around hiring plans, with 48% of firms responding in the 3 months to the end of February 2018 that they were unsure what impact Brexit would have (up from 25% in October to December 2017).

Note: Further analysis can be found in section 7, 8, 9 of the December Brexit report to Council.

7.0 Inclusive Economy and Business support in Oldham and Greater Manchester

7.1 Supporting Inclusive growth

7.1.1 As noted in section 6 Greater Manchester and the Combined Authority, in partnership with Oldham, are working with businesses to better understand the challenges posed by Brexit in the context of domestic and international economies.

7.1.2 The Greater Manchester Growth Hub is set to launch a fresh programme of business support in 2019 (£40m+ programme over 4 years). The 'Business Productivity and Inclusive Growth Programme' builds on the existing programme with increased support for large firms as well as a bespoke offer to each local authority to support key business sectors.

7.1.3 Oldham Council, through the Economy and Skills Partnership Board, are working closely with the Growth Hub to ensure that the voice of businesses in the Borough is well represented.

7.1.4 Through the Greater Manchester Mayor's Business Advisory Group Oldham is represented by Dave Benstead who is the Chair of the Oldham Economy and Skills Partnership. This group has been tasked with developing the Mayor's Good Employment Charter as well as informing the Mayor's Office on specific business sector challenges.

7.2 Skills, Training & Investment

7.2.1 The Government's 2017 Industrial Strategy recognises many of the challenges faced by businesses, but also local government and the public sector in developing local approaches to economic development and tackling issues relating to low skills. - This is detailed in the December report to Council.

7.2.2 As discussed in the December report, in previous recessions Oldham's economy has been impacted hardest and recovery is more difficult and takes longer than other areas of the UK. This must be both recognised and addressed as we move towards the transition period and as the role of local government and SPF is finalised proactively and positively as the impact of Brexit becomes clearer.

7.2.3 It is essential that there is recognition, understanding and support in the form of tangible investment from the Government and Greater Manchester to mitigate the impacts of any adverse economic shocks in Oldham enabling economic and social resilience for people and places.

7.2.4 Greater Manchester has lobbied for greater control of skills funding to address the issue of low productivity and low wages. Oldham is below the GM average, and GM is below the UK average for skill levels and productivity.

7.3 Local leadership in Greater Manchester and Oldham

In Greater Manchester there is a strong track record of local leadership through devolution, and now through the development of a local Industrial Strategy to shape the region's economy and to ensure that the region is strong both nationally and internationally, and will continue to lobby Government for further devolution of funding for skills, housing and transport to ensure that Greater Manchester and Oldham can hold its own.

Oldham will continue to provide strong leadership, collaboration and engagement on these priorities which are fundamental to realising Oldham's potential.

Through the Oldham Partnership the Council and key partners will continue to monitor the impact of the Brexit process across all areas of Oldham Partnership activity, particularly through the Economy & Skills Board.

8.0 **Options/Alternatives**

8.1 The report is for information.

9.0 **Preferred Option**

9.1 N/A. The report is for information.

10.0 **Consultation**

10.1 N/A

10.0 **Financial Implications**

10.1 It is difficult to have any certainty about the financial impact of Brexit on the Council. However, some key issues which are apparent at this time are:

- The potential volatility of the financial markets resulting from the Brexit negotiations remains an area of concern. To mitigate risk as far as possible, the Council's investments are being managed in accordance with the Treasury Management Strategy which places security of investment as the highest priority. The creditworthiness of counterparties is being monitored.

- Should financial market volatility initiate an economic downturn and prompt Government to a further round of public spending reductions, (the future funding for Local Government is already uncertain beyond 2019/20) there would be significant financial implications for the Council. The Medium Term Financial Strategy approved at Council on 28 February 2018 highlighted the existing requirement for substantial budget reduction targets up to 2021/22 based on the current austerity programme.

- The potential requirement for the allocation of significant financial resources to secure an acceptable negotiated position with the EU has the potential to either draw funding away from Local Government or reduce the ability of the Government to provide additional resources to support priority initiatives.

- The inability of households to adjust to any negative economic impact arising from Brexit may increase demand for Council services, which may add to the financial pressures already being experienced by the Council.

- As advised in the report, in the current funding period from 2014/20 for England and the devolved administrations in the UK had been set to receive a total of €10.5 billion (£8.4 billion) from the EU Structural and Investment Funds (ESIF). The Chancellor has confirmed that this funding will be guaranteed by UK Government up to 2020. Replacement funding will form part of the Governments Shared Prosperity Fund (SPF). Greater Manchester would expect the level of SPF made available to be at least the same value as the current ESIF programme, plus public match funding.

- Current EU project funding would therefore appear secure, together with funding for projects which are contracted before the country finally leaves the EU. Every opportunity must therefore be taken to secure funding for Oldham whilst it is still available. However, the opportunity to extend programmes or to bid for EU funding in the future will be lost. This will deprive Oldham of a potential source of funds for activities that cannot be funded by alternative means. However, access to the developing SPF may alleviate some of the impact.

10.2 The implications will become clearer over time as negotiations move forward and agreement is reached on specific issues. The Council's Finance Team will monitor the position and provide updates and reports to the Council as required.

Anne Ryans, Director of Finance

11.0 **Legal Services Comments**

11.1 No Legal comments: Paul Entwistle, Director of Legal

12.0 **Co-operative Agenda**

12.1 Vicky Sugars, Strategy, Partnerships and Policy Manager

13.0 **Human Resources Comments**

13.1 N/A

14.0 **Risk Assessments**

14.1 N/A

15.0 **IT Implications**

15.1 N/A

16.0 **Property Implications**

16.1 N/A

17.0 **Procurement Implications**

17.1 Existing regulations will continue to be complied with. As and when these regulations change, the new Existing regulations will continue to be complied with. As and when these regulations change, the new regulations will be complied with. When the UK leaves the European Union (and if a transition period is implemented), there may be a procurement impact on those contracts with durations that cross the transition schedule and this will be taken into account during contract negotiations. For those contracts that are in place prior to the UK leaving the European Union, a review will be undertaken. For all contracts, the Council will, at all times, take into consideration contract lengths, implement clear change mechanisms and break clauses where appropriate against the backdrop of a changing regulatory environment.

17.2 There are also other areas of international regulation to which the UK is signatory such as World Trade Organisation agreements on procurement. These regulations will be complied with for all appropriate procurement activities.

17.3 Strategic Sourcing will monitor the changing regulatory environment and will advise and consult with Council stakeholders in order to provide accurate and timely information. regulations will be complied with. When the UK leaves the European Union (and if a transition period is implemented), there may be a procurement impact on those contracts with durations that cross the transition schedule and this will be taken into account during contract negotiations. For those contracts that are in place prior to the UK leaving the European Union, a review will be undertaken. For all contracts, the Council will, at all times, take into consideration contract lengths, implement clear change mechanisms and break clauses where appropriate against the backdrop of a changing regulatory environment.

17.4 There are also other areas of international regulation to which the UK is signatory such as World Trade Organisation agreements on procurement. These regulations will be complied with for all appropriate procurement activities.

17.5 Strategic Sourcing will monitor the changing regulatory environment and will advise and consult with Council stakeholders in order to provide accurate and timely information.

Joe Davies, Interim Assistant Director, Corporate and Commercial Services

18.0 **Environmental and Health & Safety Implications**

18.1 N/A

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

19.1 The Council are working closely with the police in monitoring any community tensions as a result of the EU Referendum, and has well established processes for responding together should the need arise. While it appears that there is a level of fear and anxiety within some sections of the community – particularly Eastern European people – there has been no evidence of a significant upsurge in hate incidents in Oldham linked to the Referendum or its outcome.

Bruce Penhale, Assistant Director Communities and Early Intervention

20.0 **Equality Impact Assessment Completed?**

20.1 No

21.0 **Key Decision**

21.1 No

22.0 **Key Decision Reference**

22.1 N/A

23.0 **Background Papers**

23.1 N/A

35.0 **Appendices**

Appendix 1- Outline Timeline of Brexit Transition

2017

29 Mar	29 Apr	7 May	08 Jun	Early June	24 Sep	31 Dec
Article 50 triggered	Remaining EU states adopt negotiating guidelines	French presidential election	UK general election	Formal Brexit negotiations start	German federal elections	EU target date to finish initial Brexit negotiations

2018

January	Spring	Summer	30 Sep	Autumn	Late 2018
Draft exit deal put to European Council	• Target date for UK Great Repeal Bill to receive Royal Assent • European Council summit to review/amend deal terms	UK Parliament legislates to fill any legal gaps	EU target date for agreeing Brexit terms	Possible start for post-Brexit trade talks	• EU Council must approve • UK Parliament must vote • EU Parliament must vote

2019

January	Early 2019	29 Mar	Post-Brexit
Any transitional rules and period finalised	6 EU Council submit to extend negotiating deadline beyond two years 7 UK Parliament passes any final legislation necessary	Brexit Transition Deal begins (or negotiations extended)	• Great Repeal Bill takes effect • Any transitional period commences

Appendix 2- Oldham Council December 2017 Brexit Report

Appendix 3- UK Government Analysis on leaving the European Union

Appendix 4- LGA Future Funding Report

Appendix 5- Greater Manchester Brexit Monitor for March 2018

Report to COUNCIL

European Union Referendum – Impact on Oldham and Greater Manchester

Portfolio Holder:
Councillor Jean Stretton, Council Leader

Officer Contact: Tom Stannard, Director of Economy & Skills

Report Author: Tom Hewitt, Strategy Partnerships & Policy
Jon Bloor, Head of Service Economy & Skills

Ext. (0161) 770 5152
13 December 2017

Reason for Report

Following the UK referendum on continuing membership of the EU held on 23 June 2016, the implications of the "leave" result are now starting to be better understood.

This report provides an update following a July 2016 report to Council on the potential implications of the vote for Oldham and Greater Manchester.

Executive Summary

- This report looks at the anticipated impact of leaving the EU and what Greater Manchester and Oldham can do to mitigate against the likely economic shock of Brexit.

- It includes the potential short and longer term impacts on residents in terms of living standards and employment but also on business and the economy in terms of productivity and workforce. Regardless of the type of deal agreed with the EU, consumers are likely to be hit by an increase in prices, particularly for food and energy.

- In previous recessions Oldham's economy has been impacted harder, and recovery is more difficult and takes longer.

- When full analysis and understanding of the implications of leaving the EU is undertaken and impacts become clearer, it is essential that there is recognition, understanding, support and investment from the Government and GM to mitigate the impacts of any adverse economic shocks in Oldham enabling economic and social resilience for people and places.

- Whilst there had been relatively slow progress in respect of negotiations, on 7 December there was an announcement of some progress which would pave the way for further detailed negotiations relating to trade and immigration to take place. A summary of what was agreed:

  There will be no hard border between Northern Ireland and the Republic and that the "constitutional and economic integrity of the United Kingdom" will be maintained.

  EU citizens living in the UK and vice versa will have their rights to live, work and study protected.

  The agreement includes reunification rights for relatives who do not live in the UK to join them in their host country in the future.

  Financial settlement – *no specific figure is yet specified but the Government has stated that this will be between £35 and £39 billion including budget contributions during a two year transition period after March, 2019.*

- It is important the role of local government in the policy-making process is retained. The Greater Manchester Strategy identifies continued lobbying of Government to establish a Brexit Committee for the Northern Regions and Cities as a priority. The role of the Local Government Association will be important in supporting the Leaders of Greater Manchester's Local Authorities. **The asks and priorities of Government from GM and Oldham are clearly set out in section 17.**

- The 2017 GM Business Survey found that 85% of firms are experiencing rising costs and this has been seen most strongly in the cost of raw materials There is a great deal of concern among employers in certain sectors that they may not be able to fill vacancies following the country's withdrawal from the EU and a risk that the UK and Greater Manchester becomes less attractive to high-skilled workers.

- In Oldham there is a relatively small proportion of EU migrant workers across all sectors and skill levels of the economy when compared with both Greater Manchester and particularly when compared with the South East and London.

- The Government is developing a replacement Fund for the European Structural Investment Fund (ESIF), this is the Shared Prosperity Fund. GM would expect the Fund to be at least the same value as the current ESIF programme.

Recommendations

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

1.0 The purpose of this report

1.1 Following the UK referendum on continuing membership of the EU which was held on the 23 June 2016, the implications of the “leave” result are now starting to be better understood. This report sets out a summary of the implications of leaving the EU to Oldham’s economy and to Greater Manchester.

1.2 15 months on from the referendum, scenario planning and impact modelling has been undertaken by leading organisations including The London School of Economics and Oxford Economics which will support Greater Manchester and Oldham to prepare for exiting the European Union.

1.3 This report looks at the anticipated impact of leaving the EU and what Greater Manchester and Oldham can do to mitigate against the likely economic shock of leaving.

2.0 Background and ongoing UK Government Negotiations

2.1 The UK is scheduled to depart the EU at 11pm UK time on Friday 29 March, 2019. Talks between the UK Government and the EU are currently taking place on three aspects of how Brexit will work, these are:

- Focusing on how much the UK owes the EU.
- What happens to the Northern Ireland border.
- What happens to UK citizens living elsewhere in the EU and EU citizens living in the UK.

2.2 Prime Minister Theresa May had said that "real and tangible progress" had been made, but that the country must be prepared for "every eventuality" – including a ‘no-deal’ scenario.

2.3 UK Government wants to talk about future trade relations and a plan for a two year "transition" period to smooth the way to post-Brexit relations. The EU position is that they will not talk about the future trading relations until enough progress has been made with the above three issues.

2.4 The Prime Minister has reiterated that trade models such as the European Economic Area or the Canadian Comprehensive Economic and Trade Agreement are not an option for any deal, calling instead for a creative solution that is unique to the UK.

2.5 EU law still stands in the UK until it ceases being a member, however, there is uncertainty about how final the break will be on that day - a number of UK and EU figures back the idea of having a "transition" period of up to three years to allow a smooth implementation.

2.6 MPs will get a vote

Theresa May has promised there will be a Commons and Lords vote to approve whatever deal the UK and the rest of the EU agree at the end of the two year process to leave the EU following the triggering of Article 50. Any deal also has to be agreed by the European Parliament - with British MEPs getting a chance to vote on it there.

2.7 Progress of the Brexit Deal

Whilst there has been relatively slow progress in respect of negotiations, on 7 December there was an announcement of some progress which would pave the way for further detailed negotiations relating to trade and immigration to take place. A summary of what was agreed -

There will be no hard border between Northern Ireland and the Republic and that the "constitutional and economic integrity of the United Kingdom" will be maintained.

EU citizens living in the UK and vice versa will have their rights to live, work and study protected.

The agreement includes reunification rights for relatives who do not live in the UK to join them in their host country in the future.

***Financial settlement –** no specific figure is yet specified but the Government has stated that this will be between £35 and £39 billion including budget contributions during a two year transition period after March, 2019.*

2.8 **What does a 'Soft Brexit' mean for the UK?**

Under the soft Brexit scenario it is assumed tariffs remain at zero and non-tariff barriers increase. This would happen if the UK joins a free trade area, such as the European Free Trade Area (EFTA), with the EU.

2.9 Non-tariff barriers are the costs arising from customs checks, border controls, differences in product market regulations, legal barriers and other transactions costs that make cross-border business more difficult. Even free trade areas cannot eliminate all the non-tariff barriers that businesses face when transacting across borders.

2.10 Given the way in which bilateral trade costs are modelled, this increase in non-tariff barriers (combined with the assumption of no changes in tariff barriers) translates to a 2.77% increase in bilateral trade costs between the UK and the EU.

2.11 This is likely to mean increased prices for consumers and an increase in cost for UK companies that rely on EU suppliers.

2.12 **What does a 'Hard Brexit' mean for the UK?**

Under the hard Brexit scenario, the UK and the EU are not part of a free trade agreement (at least immediately) and so they must charge each other the tariffs that they charge to other members of the World Trade Organization (WTO). **This means that goods crossing the UK-EU border are faced with WTO Most-Favoured-Nation tariffs.**

2.13 In line with national estimates, using London School of Economics (LSE) analysis models the **average Local Authority impact** as being negative under both a soft Brexit and a hard Brexit, and **more negative under hard Brexit**.

2.14 In the short term the average Local Authority decrease in GVA is predicted to be 1 percentage point larger under hard Brexit than under soft Brexit (-2.12% compared to -1.14%, respectively).

3.0 The Impact of Brexit will be different across the UK

3.1 LSE analysis also highlights that the **variation in Local Authority level shocks is considerably higher under hard Brexit.** This suggests that some Local Authority areas are particularly specialised in sectors that are likely to be badly hit by a hard Brexit, in particular financial services and manufacturing sectors that rely on ready access to EU markets and are highly sensitive to changes in cost.

3.2 Areas in the South of England and key urban centres such as London, Manchester, Bristol, and Birmingham are predicted to be harder hit by Brexit under both scenarios. This pattern is explained by the fact that those areas are specialised in sectors that are predicted to be badly hit by Brexit. For example, the City of London, which is predicted to see the largest decrease in GVA under a hard Brexit (-4.3%). **This compares with a decrease of 2.2% in GVA under a hard Brexit in Oldham.**

3.3 **Longer term impact**

Work undertaken by Oxford Economics which is used in the Greater Manchester Forecasting Model has provided a series of scenarios on the impact of Brexit for the UK. Their **analysis identifies a Free Trade Agreement as the most likely longer term scenario for the UK**- this is summarised in figure 1.

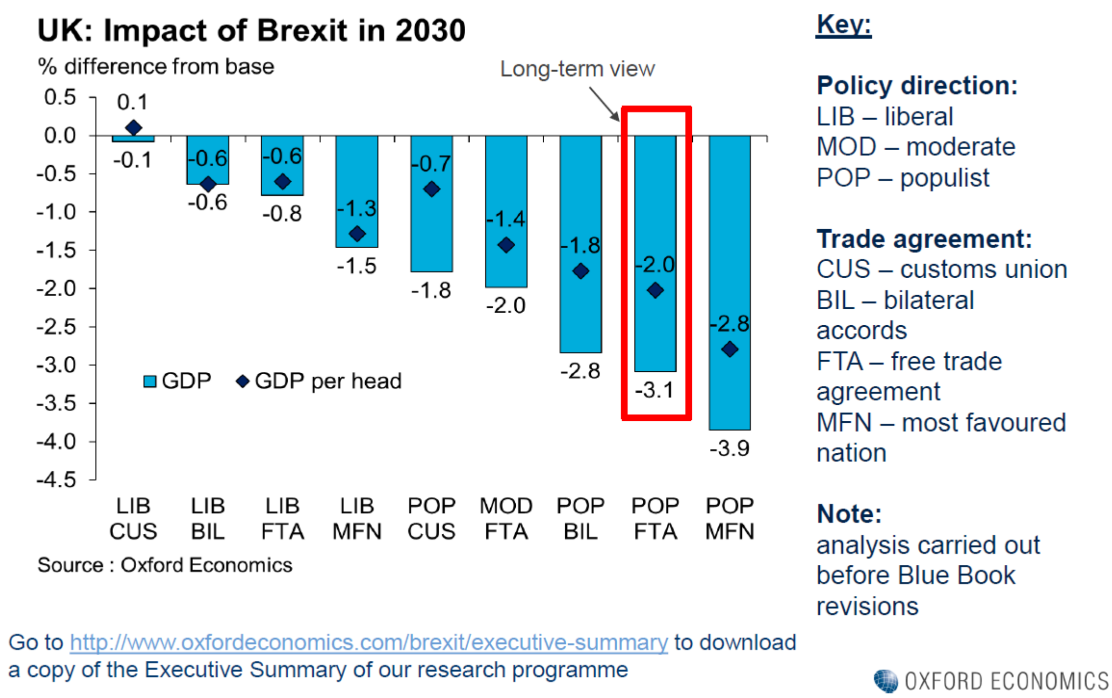

Figure 1

4.0 Role of Local Government in shaping policy

In addition to the devolution of powers, it is important to ensure that the role of local government in the policy-making process is retained. This is currently achieved through the EU Committee of the Regions and has ensured that laws are influenced by those at the frontline of delivery.

4.1 The Prime Minister has made a commitment that the same rules will apply on the day after exit as on the day before. Therefore, this formal advisory role needs to be replicated in order to retain a high-quality and effective policy-making process.

4.2 Engagement between Ministers and local leaders should be reinforced by working level engagement between national and local officials so that the knowledge and expertise of each can be drawn on.

4.3 The Greater Manchester Strategy identifies continued lobbying of Government to establish a Brexit Committee for the Northern Regions and Cities as a priority. The role of the Local Government Association will be important in supporting the Leaders of Greater Manchester's Local Authorities and the Mayor along with business groups such as the Greater Manchester Chamber for Commerce to actively pursue this with Government.

5.0 What does Brexit mean for Oldham and Greater Manchester?

5.1 The analysis indicates that the areas likely to lose (or lose out the most) are intrinsically linked to the levels of dependency of key employment sectors on both trade with and immigration from the EU.

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).

5.2 When predicting who will be affected most by the economic changes that will inevitably stem from the decision to leave the EU, it is existing disparities in income, skills and investment that are the biggest risk factors.

5.3 Evidence 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 the quickest.

5.4 In short, for areas like Oldham and those places in Greater Manchester that are relatively worse off, households in these areas are likely to experience considerably more difficulty in adjusting to negative economic shocks resulting from Brexit in the longer term.

6.0 Implications for increased prices for the residents of Oldham

6.1 Regardless of the type of deal agreed with the EU, consumers are likely to be hit by an increase in prices, particularly for food and energy.

6.2 For people living on low incomes, food and energy are a disproportionately large part of household expenditure.

- Energy price rises and unavailability would negatively impact residents and businesses, and the public sector.
- Like energy, the UK imports a substantial proportion of its food – at least half, most of which comes from the European Union.
- Local community food growing initiatives here in Oldham would likely be unaffected, as they depend largely on volunteer time and have the production of high-quality organic food for healthy diets as their objective.
- Any increase in prices will have an impact on residents in Oldham, and it will be important that we continue work locally to tackle food and energy poverty.

7.0 The view from business

7.1 Longer term growth in Greater Manchester is likely to be a lower due to Brexit because of lower net migration, less trade and lower productivity. Growth will be slower, more so for GVA than employment or demography

7.2 The 2017 GM Business Survey found that 85% of firms are experiencing rising costs and this has been seen most strongly in the cost of raw materials. More than half indicated that they were suffering due to increases in raw materials.

7.3 The Greater Manchester Business Survey provides a current insight on the performance, outlook at expectation of businesses across the region.

7.4 The outlook for businesses in respect of Brexit continues to be one of uncertainty, however the Survey also acknowledges that Brexit brings substantial opportunities for the conurbation and the UK as a whole.

7.5 The last 12 months have been less certain than the preceding 12 months and more closely aligned with performance in 2012 and 2013. Fewer businesses reported that they had increased their turnover or employment than they did in 2016. Businesses were also less optimistic about employment and turnover growth over the next 12 months than they had been in 2016. Brexit is likely to be playing a part in this decline in optimism.

7.6 **The Survey also suggests that the EU referendum is increasingly impacting on firms' recruitment intentions**. In the three months to October 2017, 60% of firms said they envisaged they would continue to recruit at the same pace following the referendum result, the lowest level since the referendum.

- Based on the Survey results, Greater Manchester will continue to make a strong ask of Government, particularly through ongoing work to develop a Greater Manchester Industrial Strategy. This will include, but will not be limited to support for;

- The continued renaissance of manufacturing in Greater Manchester by ensuring there are no new tariffs or regulatory barriers to trade in goods or manufacturing-related services;
- Support growth in Greater Manchester's £15.5bn financial and professional services industry by ensuring that UK regulated firms can continue to sell to EU markets through a long-term regulatory standards equivalence agreement;
- Ensure that Greater Manchester's digital sector continues to thrive, by ensuring access equivalent to membership to the digital single market, agreeing equivalence on data protection legislation, and investing in broadband infrastructure where it is currently prohibited under EU frameworks.

8.0 Exports

8.1 The EU accounted for 58 per cent of goods exports from Greater Manchester firms in 2015, representing a greater reliance on the EU as an export market than the average for England as a whole (42%).

8.2 Brexit presents both an opportunity and a challenge in terms of exporting for firms in Greater Manchester and places greater emphasis on achieving the ambitions outlined in the GM Internationalisation Strategy which highlighted six key markets for GM over the next three years including EU, USA, China, India, Japan and UAE.

8.3 Research by the GMCA team had suggested that in a scenario of Brexit without a trade deal, the only scenario that could then be calculated, **Greater Manchester could be impacted by up to £150 million reduction in exports**, with an average decrease in exports of 4.9% across all goods with manufacturing likely to be most exposed.

8.4 Bolstering business confidence over the next two years will be critical and an important part of this is engaging with businesses to ensure that there is a clear understanding of their needs. The development of an Employer Engagement Framework in collaboration with the LEP, employers and business groups will be important in taking this forward.

8.5 In Oldham we are already taking action through the Economy & Skills Partnership and Business Investment Strategy with a view to supporting the following:

8.5.1 Improved business engagement and account management with our top 100 employers;

8.5.2 A whole Council and public sector approach to supporting businesses and employment sectors to grow, and to address challenges linked to workforce, skills, access to finance, land and premises and access to new markets.

8.5.3 It is acknowledged that Oldham cannot do this alone. This is why we will continue to work closely with Greater Manchester to ensure the region is a great place to do business.

9.0 Employment

9.1 Although the legal practicalities of a new migration policy are far from clear, in the aftermath of the referendum there has already been a drop in net migration from EU nations. This has immediate and long-term implications for certain sectors of the national economy.

9.2 As twin qualitative studies by the National Institute of Economic and Social Research before and after the Brexit vote revealed, there is a great deal of concern among employers in certain sectors that they may not be able to fill vacancies following the country's withdrawal from the EU.

9.3 GM Analysis

GM analysis anticipates manufacturing, distribution and public sector jobs will be affected by any loss of European workers (c. 50k jobs in GM are European citizens).

9.4 Estimated EU jobs by sector in GM

Industry	UK	EU	Non-EU	Total Jobs	Estimated EU jobs
Agriculture, Forestry, and Fishing	64%	14%	22%	3,100	400
Energy and Water	84%	8%	7%	17,300	1,400
Manufacturing	80%	11%	9%	121,000	13,400
Construction	94%	3%	4%	86,400	2,200
Distribution, Hotels, and Restaurant	77%	10%	13%	260,700	25,700
Transport and Communication	87%	5%	8%	124,600	6,800
Banking and Finance	85%	7%	9%	205,800	13,700
Public Admin, Education, and Health	87%	3%	10%	395,100	11,600
Other Services	87%	3%	10%	69,900	2,300

Source: GMCA applying Migration Observatory (2015) data for shares of EU workers by industry to ONS (June 2017) data on workforce by sector

9.5 Those sectors with an over-representation of EU8 workers appear to be more vulnerable to potential changes in migration. This reinforces initial findings that Distribution, Hotels and

Restaurants and Manufacturing face the greatest risks regarding Brexit and its potential impacts on the labour market.

9.6 High skilled employment

There is a risk that the UK and Greater Manchester become less attractive to high- skilled workers. Any impact here could be significant even if the numbers involved are relatively small because of the importance of being able to remain globally competitive in areas such as higher education, leadership and management, and attracting innovative global firms.

9.7 Low skilled employment

Analysis cross-referencing national data with local intelligence suggests that in general, low-skilled jobs are likely to be most at risk to potential changes in migration as a result of the UK leaving the EU, as it is migration from EU8 countries (Czech Republic. Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia) which appears to be most affected by the Referendum result, and the majority of EU8 workers appear to be employed in low-skilled jobs.

9.8 Although uncertainty remains surrounding the government's post-Brexit immigration policy, based on current policy towards non-EU migrants, it would be reasonable to assume that low-skilled jobs would be most impacted should visa restrictions be introduced. This will affect employers' ability to recruit staff.

9.9 In Oldham there is a relatively small proportion of EU migrant workers across all sectors and skill levels of the economy when compared with both Greater Manchester and particularly when compared with the South East and London.

- Whilst this is not to say that the impact of migration is insignificant in Oldham, there is less risk to the local economy of large numbers of EU nationals leaving the UK, adversely affecting local employers.

- This demonstrates the impact of EU migration on employment and labour markets varies greatly across the UK and with a region.

10.1 Health and social care sectors

10.1 The impact on particular sectors will vary greatly across the UK. A case in point is the health and social care sector where it is well publicised that both EU and non EU nationals make up a large proportion of the current health and social care workforce.

10.2 NHS Digital reported in September 2017 that almost 10,000 EU nationals have left the health service since the EU referendum, over a third of which were working as nurses.

10.3 These numbers suggest there is an emerging labour market threat to the country's ability to continue to care for the vulnerable in our society. However, this carries a significant geographic divergence. It is expected that London and the South East will feel the effects far more than the North West.

10.4 Analysis undertaken by Skills for Care estimates that **94% of the health and social care workforce in Oldham is of British nationality, 1% were from within the EU and 5% from outside the EU.**

11.0 Productivity, skills, investment and wages

The Office for Budget Responsibility (OBR) reports that it is likely to revise down potential productivity growth in its November forecast. This is important, because in the long-run virtually no other measures come close to capturing how living standards change within the economy, and this feeds through into wages.

11.1 The decision to leave the EU has heightened the risk to future growth and prosperity of Oldham, Greater Manchester and many areas of the UK. However, it is the same issues of low skill levels, a decline in private sector investment and wage levels and our own population's inability to meet the skill demands of a modern labour market that remain the main barriers to sustainable growth in Oldham and more deprived areas across the UK.

11.2 Localised research found that twenty six of England's forty seven strategic authority areas have an above average level of risk to a low skills base. The Organisation Economic Cooperation and Development (OECD) notes that the UK is a global leader in a number of technologically advanced industries, such as complex business services, but that "the skills mix of the UK population is not well aligned with the skills requirements of these industries, making it difficult to maintain specialisation in these industries".

11.3 At a Greater Manchester level, it is recognised that there is a need to invest in and develop these assets and to remain at the forefront of scientific development. This is alongside continued collaboration between partners and to improve the record of science commercialisation – especially building the links between our universities and the local business base.

12.0 Reversing the stagnation in productivity and wages

It is crucial that we think differently about how we invest in our skills system. We must ensure 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**.**

12.1 Oldham and Greater Manchester supports the Government's approach of developing a national Industrial Strategy, underpinned by ambitious Local Industrial Strategies developed in partnership between the Government and authorities, which can provide greater stability for national and local economies through the Brexit transition and ensure that prosperity is shared.

13.0 Oldham can influence its own destiny

- The risks to Greater Manchester and Oldham of leaving the EU are considerable. However, Oldham has consistently demonstrated that we can influence our own destiny through initiatives like Get Oldham Working which has supported more than 4000 residents into employment over the last 5 years.

- In Greater Manchester there is a strong track record of local leadership through devolution, and now through the development of a local Industrial Strategy to shape the region's economy and to ensure that the region is strong both nationally and internationally whatever the outcome of the Brexit negotiations.

- Through the sub-region we will continue to lobby Government on things like the devolution and funding of skills, housing and transport to ensure that Greater Manchester and Oldham can hold its own.

14.0 European Funding - Supporting investment, innovation and business growth

- The challenge of increasing levels of business investment and productivity has been recognised by Greater Manchester for some time and was set out in the first Greater Manchester Strategy back in 2009 and **recently refreshed in November 2017.**

- The primary source of funding to enhance the business support infrastructure is through the EU ESIF programme. In the current period of funding (2014-2020), Greater Manchester has a notional allocation of £322.75m, split across European Regional Development Funding (ERDF) (£176.78m) and European Social Funding (ESF) (£145.97m), equivalent to an annual allocation of £53.8m.
- The focus of ERDF is broadly on job creation and ESF on skills and employability.
- To date around 42% of fund allocation has been committed to projects by the Managing Authority, but no Oldham only project has received funding directly. The Council is a partner in an ESF proposal that provides around £1.2m for the ESF Skills for Employment programme (due to finish in July 2019).
- The tendency is to allocate ESF funding to Greater Manchester wide projects and then seek local delivery partners.
- However, it can be assumed that without Government intervention, Greater Manchester will not be able to access the next round of European structural funds, (ESIF 2020-2026 Framework).

15.0 Replacing Existing EU Funding with a Shared Prosperity Fund

15.1 A year on from the EU referendum, the Department for Communities and Local Government (DCLG) has been tasked to work across departments to develop a consultation on successor funding for ESIF. The ‘Shared Prosperity Fund’ (SPF) is being designed to reduce inequalities between communities, delivering sustainable, inclusive growth.

The fundamental purpose of this Fund would be to drive productivity, recognising the achievement of such is multi-faceted Fund.

15.2 Funding Level

Greater Manchester would expect the level of SPF made available to be at least the same value as the current ESIF programme, plus public match funding. To replicate the value of the current 7 year ESIF programme would require £645.50m, plus any future Local Growth Funding.

15.3 Opportunities for greater flexibility

The funding should be flexible enough to be used holistically: for both capital and revenue purposes, and the innovations pioneered by Greater Manchester in terms of the creation of local revolving investment funds (Evergreen) as well as grants to meet the needs of the locality.

- Additionally, ESIF places particular constraints on the use of funding, for example it cannot be used to provide support to particular manufacturing companies.

- As part of the formal consultation on successor funding, Greater Manchester should seek to lift some of the restrictions on the eligible use of successor funding, in particular the ability to provide complementary and additional funding to that already available from Department for Education (DfE) to support our priorities of school and work readiness.

16.0 Examples of UK innovation support

16.1 Innovation is at the very heart of helping businesses to succeed and grow. It is key to building a sustainable and growing economy and can be recognised not just in products and services but also across management processes and business operations.

16.2 A prime example of the UK and Greater Manchester responding to this challenge is through Knowledge Transfer Partnership (KTPs). KTPs connect UK businesses with an academic or research organisation and qualified graduate to work on innovation projects. Innovate UK currently support 630 graduates and post-doctoral researchers employed in KTPs. These include industrial research and development and entrepreneurial roles.

16.3 Innovate UK has announced an extra £30 million of funding for Knowledge Transfer Partnerships (KTPs), which connect UK businesses with an academic or research organisation and qualified graduate to work on innovation projects.

16.4 This is a real opportunity for Oldham to take advantage of funding designed to boost links between Higher Education Institutions in Manchester and the North West with high growth businesses in Oldham.

16.5 Oldham Council's Investment Team is working closely with the Greater Manchester Growth Company to explore how businesses in the Borough can access this opportunity.

17.0 The key priorities for Greater Manchester and Oldham in response to Brexit

17.1 The UK's departure from the EU creates risks and potential opportunities for the delivery of Greater Manchester's priorities underpinned by raising productivity and improving services.

17.2 From evidence generated for the GMCA the following asks of Government are:

- **Greater Manchester supports the Government's approach of developing a national Industrial Strategy**, underpinned by ambitious Local Industrial Strategies developed in partnership between Government and authorities, which can 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.

- **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 Powerhouse and beyond.

- **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.

17.3 A clearer idea about the shape of the UK's future relationship with the EU would help Local Government, as well as businesses, prepare for the transition and make it more likely that the opportunities can be grasped and the risks managed.

17.4 It is important for Oldham's vision and ambition for the Borough as set out in the Oldham Plan are recognised as being aligned with and supporting the Greater Manchester Strategy. Oldham will continue to provide strong leadership, collaboration and engagement on these priorities which are fundamental to realising Oldham's potential.

17.5 Already emerging and under debate are national concerns around business, productivity, living standards and equalities. As referenced in section 5 and 6 in previous recessions Oldham's economy has been impacted hardest and recovery is more difficult and takes longer than other areas of the UK.

17.6 When full analysis and understanding of the implications of leaving the EU is undertaken and impacts become clearer, it is essential that there is recognition, understanding, support and investment from the Government and Greater Manchester to mitigate the impacts of any adverse economic shocks in Oldham enabling economic and social resilience for people and place.

18.0 **Options/Alternatives**

18.1 The report is for information.

19.0 **Preferred Option**

19.1 N/A. The report is for information.

20.0 **Consultation**

20.1 N/A

21.0 **Financial Implications**

21.1 At this stage it is difficult to be definitive about the financial impact for the Council of the outcome of the UK referendum, however some key issues which are apparent at this time are:

- The initial fluctuations in the financial markets immediately after the Brexit referendum have calmed. However, the potential volatility of the financial markets is clearly a cause for concern. The Council's existing investments are being managed in accordance with the Treasury Management Strategy which places security of investment as the highest priority and creditworthiness of counterparties is being monitored.

- Should financial market volatility initiate an economic downturn and prompt Government to a further round of public spending reductions, there would be significant financial implications for the Council as it still has to address substantial budget reduction targets up to 2020/21 based on the current austerity programme.

- The potential requirement for the allocation of significant financial resources to secure an acceptable negotiated position with the EU has the potential to either draw funding away from Local Government or reduce the ability of the Government to provide additional resources to support priority initiatives.

- The inability of households to adjust to any negative economic shocks of Brexit may increase demand for Council services, which may add to the financial pressures already being experienced by the Council.

- Current EU project funding would appear secure, together with funding for projects which are contracted before the country finally leaves the EU. Every opportunity must therefore be taken to secure funding for Oldham whilst it is still available. However, the opportunity to extend programmes or to bid for EU funding in the future will be lost. This will deprive Oldham of a potential source of funds for activities that cannot be funded by alternative means. However, access to the developing Shared Prosperity Fund may alleviate some of the impact.

21.2 The implications will become clearer over time as negotiations move forward and agreement is reached on specific issues. The Council's Finance Team will monitor the position and provide updates and reports to the Council as required.

Anne Ryans, Director of Finance

22.0 **Legal Services Comments**

22.1 No Legal comments: Paul Entwistle, Director of Legal

23.0 **Co-operative Agenda**

23.1 The meaning behind voting patterns re-affirms our co-operative ambition for Oldham and the values that we need to adhere to.

Vicky Sugars, Strategy, Partnerships and Policy Manager

24.0 **Human Resources Comments**

24.1 N/A

25.0 **Risk Assessments**

25.1 N/A

26.0 **IT Implications**

26.1 N/A

27.0 **Property Implications**

27.1 N/A

28.0 **Procurement Implications**

28.1 Existing regulations will continue to be complied with. As and when these regulations change, the new Existing regulations will continue to be complied with. As and when these regulations change, the new regulations will be complied with. When the UK leaves the European Union (and if a transition period is implemented), there may be a procurement impact on those contracts with durations that cross the transition schedule and this will be taken into account during contract negotiations. For those contracts that are in place prior to the UK leaving the European Union, a review will be undertaken. For all contracts, the Council will, at all times, take into consideration contract lengths, implement clear change mechanisms and break clauses where appropriate against the backdrop of a changing regulatory environment.

28.2 There are also other areas of international regulation to which the UK is signatory such as World Trade Organisation agreements on procurement. These regulations will be complied with for all appropriate procurement activities.

28.3 Strategic Sourcing will monitor the changing regulatory environment and will advise and consult with Council stakeholders in order to provide accurate and timely information. regulations will be complied with. When the UK leaves the European Union (and if a transition period is implemented), there may be a procurement impact on those contracts with durations that cross the transition schedule and this will be taken into account during contract negotiations. For those contracts that are in place prior to the UK leaving the European Union, a review will be undertaken. For all contracts, the Council will, at all times, take into consideration contract lengths, implement clear change mechanisms and break clauses where appropriate against the backdrop of a changing regulatory environment.

28.4 There are also other areas of international regulation to which the UK is signatory such as World Trade Organisation agreements on procurement. These regulations will be complied with for all appropriate procurement activities.

28.5 Strategic Sourcing will monitor the changing regulatory environment and will advise and consult with Council stakeholders in order to provide accurate and timely information.

Joe Davies, Interim Assistant Director, Corporate and Commercial Services

29.0 **Environmental and Health & Safety Implications**

29.1 N/A

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

30.1 The Council are working closely with the police in monitoring any community tensions as a result of the EU Referendum, and has well established processes for responding together should the need arise. While it appears that there is a level of fear and anxiety within some sections of the community – particularly Eastern European people – there has been no evidence of a significant upsurge in hate incidents in Oldham linked to the Referendum or its outcome.

Bruce Penhale, Head of Multi-Agency Safeguarding Hub, Stronger Communities and Oldham District Team

31.0 **Equality Impact Assessment Completed?**

31.1 No

32.0 **Key Decision**

32.1 No

33.0 **Key Decision Reference**

33.1 N/A

34.0 **Background Papers**

33.1 N/A

35.0 **Appendices**

Reports referenced in this report are:

- EU Referendum Implications report to Council, July 2016
- The Local Economic Effect of Brexit, LSE report 2017
- Greater Manchester November 2017 Brexit Monitor

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DRAFT PROVISIONAL RESULTS

EU Exit Analysis Cross Whitehall Briefing

January 2018

House of Commons Exiting the European Union Committee

1. Context

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A range of analysis will support robust, timely assessment of options for the future economic partnership

- **Robust analysis will inform decision making on potential end states and support negotiations to deliver on the Florence speech.**
- **Economic analysis is a key tool, deployed alongside wider policy analysis to assess options and trade-offs.**
  - Results for different scenarios are always assumption-dependent but provide useful indicators of the broad range of potential outcomes.
  - HMG's new analysis provides an evidence-based framework to consider upsides and downsides of scenarios overall and by sector, and supports development of policies in response.
  - Analysis is made more difficult by the lack of precedents for both the individual elements and overall deal we are seeking to agree with the EU, as set out in the Florence speech, which means we have to necessarily simplify our assumptions.
  - Excessive weight should not be given to single-point estimates, given uncertainties, ranges of opinion on assumptions, global and sector trends and a variety of potential end states.
  - Instead, we highlight the key factors likely to impact UK economic performance and use the analysis to explore assumptions and sensitivities around these when comparing options.
- **It is useful to consider what analysis government may need at different points in the process and what information is likely to be public (from UK and EU side).**
  - This needs to balance negotiating requirements and tactics, increasing expectations about sharing analysis, and need to preserve confidentiality. Careful handling will be crucial.
  - While this negotiation is unprecedented for the EU as well, the Commission will almost certainly take a very analytical approach to negotiations, including likely publication of analysis (as is routine for all FTAs).
- **This summary presentation sets out the overarching principles underpinning the analysis, the distinct building blocks of the work and some emerging initial results.**

2. The Analytical Challenge

Our challenge is to provide useful analysis to Ministers, recognising significant uncertainties

We need to base our exit negotiations and preparations on the best possible evidence and analysis. Analysing the potential impact of different exit scenarios is an unprecedented challenge.

A number of factors make any analysis highly uncertain

- Economies anyway face an unusually uncertain path:
  - Ongoing adjustment from financial crisis;
  - New technologies and sectors;
  - Next phases of globalisaton.
- The exact nature of any future exit scenario is difficult to predict.
- Uncertainty around the impact and timing of any given policy scenario is compounded by no precedent of leaving a major trading block.

Analysis can nevertheless play a role in supporting decisions

- Using a *variety* of analytical tools will, in aggregate, provide a *directional* picture of overall impacts across different partnership models.
- We seek to identify the main factors which materially impact outcomes between end state options:
  - Exploring the key assumptions driving estimates and the uncertainties around these;
  - Approaching these assumptions through multiple methodologies;
  - Actively testing these assumptions against the full range of external views.

There is no single model or analysis which can provide a definitive assessment of all potential outcomes, but economic analysis nevertheless provides us with the best available evidence base on which to draw a "broad" directional picture (and illustrate the importance of key uncertainties).

3. Key principles of the future economic partnership

The Florence speech sets out our target for a new, deep and special partnership with the EU

Market Access
- Freest possible trade for goods and services between the UK and the EU's member states
- New balance of rights and obligations, with consequences for market access
- Zero tariff trade in goods and minimise barriers to trade in goods and services

Sovereignty
- Independent trade policy
- Control over UK borders
- Control over domestic laws and regulation
- End to CJEU jurisdiction and a strong and appropriate dispute resolution mechanism

Not a model already enjoyed by others
- Not in Single Market or Customs Union
- Not EEA – would mean accepting rules over which little influence and no vote
- Not Canada FTA - not enough mutual market access

Comprehensive and ambitious partnership
- Unique starting point - convergence, trust, shared values and ambition
- Shared commitment to high regulatory standards
- Support prosperity for EU and UK citizens
- Committed to avoiding a hard land border between Northern Ireland and Ireland

Practical approach to regulation
- Underpinned by high standards
- And a practical approach to regulation

This would form an unprecedented, comprehensive and ambitious economic partnership.
- To that end, it is difficult to assess the economic impacts at this stage.
- We therefore position this model against a range of existing EU trade arrangements, where the economic outcome of a preferred model should seek upside from new trade deals and UK regulatory optimisation compared to these existing 'EEA' and 'standard FTA' precedents.

4. Scenario definitions underpinning analysis

We use three "existing" simplified trade arrangements, where good data is available, to frame scenarios for the possible economic impact of a preferred partnership approach and "mitigated" no-deal

	Status Quo	*EEA–type precedent (high access) as proxy (ruled out)*	Florence Model *(with a range of policy choices)*	*Average FTA-type precedent (low access) as proxy (ruled out)*	Strongly Mitigated No Deal	*Smooth No Deal (any disruptive no deal would have short and long term impacts)*
Customs NTBs (EU)	None	High	None[1]-High	High	High	High
Behind Border NTBs (EU)	None	Low	Some-Medium	Material	High	High
Tariffs (EU)	None	None	None-Low	Low-Material for agri-food	High	High
Rest of World Trade	Constrained	Material potential	Seek maximum flexibility	Material potential	Material potential	Material potential
Regulation Divergence (UK choice)	Constrained	Limited potential	Seek maximum flexibility	Material potential	Material potential	Material potential
EU Migration (UK choice: *illustrative*, see *Slide 13*)	Continued labour mobility	Continued labour mobility	Range of policy choices	'Flexible' labour mobility	Range of policy choices	'Strict' labour mobility

[1]In the New Customs Partnership, there would likely be no customs NTBs

[2]Potential for non-EU trade deals will depend on the nature of the agreement but in the modelling of the EEA-type scenario – as in the FTA and WTO scenarios – we assume we have material potential to strike new trade deals.

5. Core drivers of economic change

A number of key factors drive the economic effects

Direct effects

There are four broad (inter-related) drivers of economic effects from exit:

- **Reduced EU market access** may prevent, or increase the costs of, and hence reduce **our trade with the EU** due to:
  - Non-Tariff Barriers (at and behind the border) – which we assess as the most material factor
  - Tariffs (if present in any new FTA, or where no FTA)
- **Trade with non-EU countries** would increase via new trade deals
- **Regulatory and other domestic policy optimisation** could improve competitiveness
- **Migration** could change as a result of changes in government policy

Macroeconomic adjustment

We need to consider how the overall economy reacts *dynamically* to these impacts, including any knock-on impacts on FDI.

We also want to consider sectoral, distributional and consumer impacts and are also prioritising the variation in regional impact across the UK.

Wider global and technology trends will have impacts independent of EU exit.

This analysis focuses on the long-run impacts and opportunities of EU exit, and does not yet consider the transitional pathway or short-term impacts.

6. Broad building blocks of exit analysis

A number of key assumptions are combined to illustrate overall estimates.

Non-Tariff-Barrier (NTB) estimates for new EU partnership represent the most critical assumptions

A – Top-down NTB estimates from trade analysis

Use trade statistics to estimate NTB "costs" of different trade deals, adjusting for other factors e.g. distance

Ongoing calibration / reconciliation

B – Bottom-up NTB estimates from sector analysis

Analytical case studies of highly impacted sectors using "order of magnitude" approach

C – Tariff analysis

Application of "standard" tariffs (mostly zero where FTA)

D – Migration analysis

Ability to flex UK policy where fewer constraints

Add-on "bottom-up" estimates

E – Non-EU trade deals

F – Regulatory change

Analysis of the potential benefits from:

- Greater scope to conclude ambitious trade deals e.g. US, Australia and New Zealand (or other trade blocs)
- Opportunities for regulatory optimisation

G – Computable General Equilibrium (CGE) Model takes key assumptions and attempts to estimate the long run effect on the economy. They capture interactions between sectors and types of economic activity.

7. Key considerations in economic modelling of scenarios

We are using a state of the art structural model of the economy, but like any model it is based on the key assumptions fed into it and the underpinning evidence

Key assumptions reflect comprehensive analysis, but we recognise the spectrum of opinion and significant uncertainty

A number of key assumptions are relatively straightforward:

- Tariff rates are well understood.
- Basic elements of new trade deals can be modelled straightforwardly.

But:

- NTB costs are very hard to estimate:
  - "Top down" estimates using, among other tools "gravity" type estimates, don't necessarily reflect the partnership we seek or the future mix of global trade
  - "Bottom-up" estimates generally underplay potential impacts
- Estimating regulatory opportunities is particularly difficult.

Models which then combine these assumptions are sophisticated, but necessarily simplify how the economy might adjust

"CGE models" (not used pre-referendum) allow a much more sophisticated analysis of overall economic adjustments. They provide:

- A clear picture of the UK economy at a sectoral level and accounts for the interactions between sectors.
- Estimates of macroeconomic (GDP, wages etc), sectoral and employment variables.
- A way to model bespoke policy scenarios once defined.

But:

- No model can capture all of the dynamic economic effects.
- Estimates are long term; different modelling required for shorter term adjustments.
- Other effects, such as the changing nature of global trade towards digital and services, are not captured so need to be assessed separately.

8. Difference in modelling approach from HMG pre-referendum analysis

There are two main modelling approaches for analysing the impacts of trade policy. HMG now use a CGE model that allows us to explore different scenarios and their implications.

The HMT pre-referendum long-run analysis used the widely-adopted **'gravity modelling'** approach to determine the long-term economic effects of three alternative existing relationships to the EU. **HMT's central estimates were within a range of external estimates** – e.g. OECD, LSE and NIESR.

Since the referendum we have **substantially expanded the analytical toolkit across Government**, including building a cross-Whitehall international trade model – a **CGE model** – the best available framework for estimating long-run GDP impacts of bespoke scenarios. The model allows us to analyse:

- 140 countries and 57 sectors separately
- Trade and migration scenarios within the same framework
- The effect of mitigating actions, e.g. new trade deals and deregulation.
- Estimation of other variables e.g. sectoral GVA, employment, exports and wages

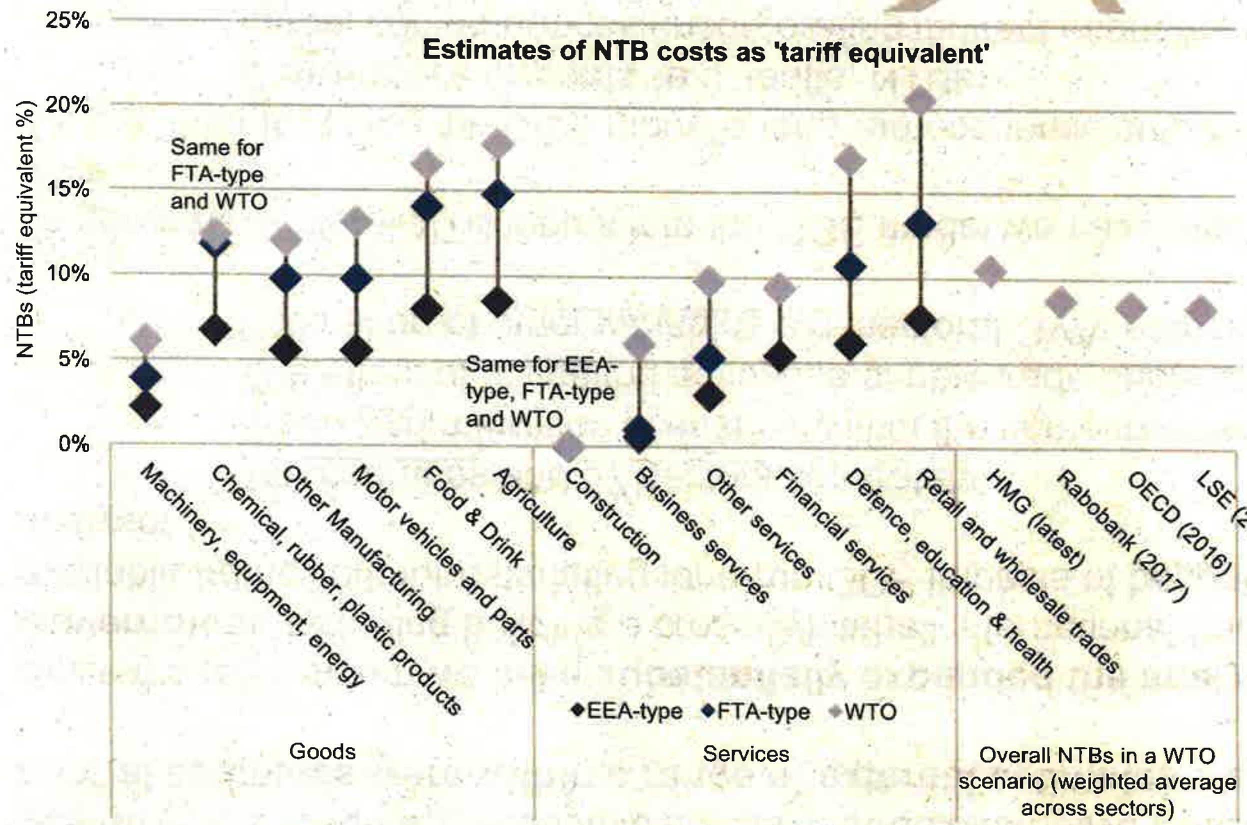
To generate sectoral NTB inputs into the CGE model we have also applied **gravity modelling at a sector level**.

We can then translate the CGE model's long-run economic outputs into:

- **Component impacts** (e.g. tariffs, NTBs)
- **Fiscal** consequences (incorporating indirect economy effects and direct fiscal effects)
- **Regional** consequences
- **GDP per capita estimates**

9. Assumptions on potential Non-Tariff Barriers with the EU

Non tariff barriers are the most important driver of trade impacts. We have used a variety of top-down analysis to begin to calculate their potential magnitude, but work is ongoing.



Estimates of long-run NTBs have initially been derived for the three proxy scenarios.

These reflect key barriers that might impact on given sectors, such as customs costs, other border costs and regulatory costs.

In most cases the equivalent costs of NTBs in a "standard FTA" are higher than any tariffs.

As there is no precedent for estimating the increase to trade barriers from leaving a trade bloc, we have used estimates on the effect of joining one (with a modest reduction to account for this).

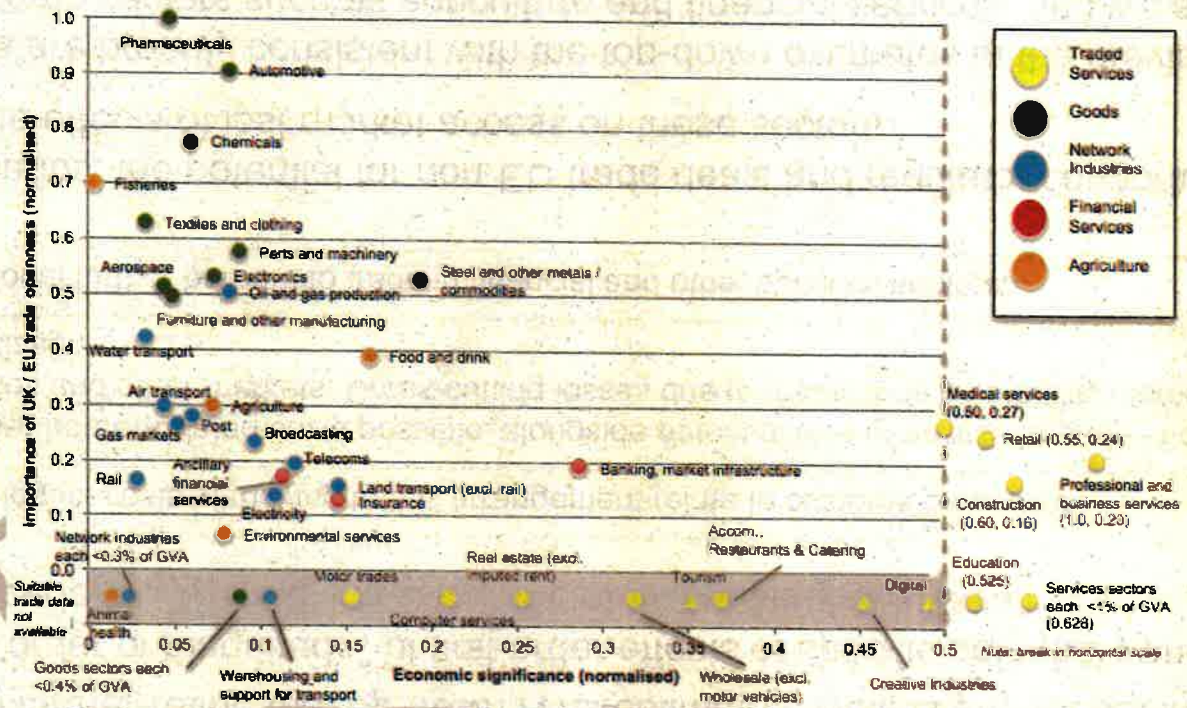
These initial estimates are consistent with external academic literature. However, we recognise a range of external opinion and that the Florence model may support different NTBs than these average estimates. Additionally, NTBs in new disruptive industries are more difficult to project. We are therefore undertaking cross-government work to challenge and refine these estimates, with a particular focus on the automotive, business and financial services, and aviation sectors.

10. Assumptions on non-tariff barriers: bottom-up sectoral analysis

Earlier analysis focused on assessing which sectors could be more or less affected by EU exit.

The following chart highlights the relative importance of sectors to the overall economy and EU-EU trade. It was produced as part of a Cabinet Committee discussion in November 2016, and illustrates the drivers of key effects in our analysis.

Ranks the importance of UK/EU market access to each sector



Ranks sectors on their relative importance to the UK economy as a whole.

We would expect sectors dependent on trade with the EU (including automotive, chemicals and pharmaceuticals) to see the biggest effect on economic activity in EU exit scenarios. However, the overall economic impact will depend on the tariffs and NTBs that those sectors would be exposed to and the indirect effects of any trade related reductions in their output on the rest of the economy.

The CGE model allows us to capture these inter-linkages and slide 19 contains these provisional sectoral effects.

11. Assumptions on non-tariff barriers: bottom-up sectoral analysis

Sectoral case-studies complement and inform top-down non-tariff barrier estimates.

As an alternative to CGE modeling, Departments have carried out a number of bottom-up case studies, which we are using to further-refine the top-down NTB estimates. Details are set out in Annex B.

These estimated the "order of magnitude" of first-order effects of specific potential non-tariff barriers based on existing precedents. The table sets out the most substantial effects.

"EEA" Type	The biggest costs of moving to this arrangement relate to customs processes.
"Average FTA" Type	Further border-related costs possible, alongside potential loss of access to parts of digital, financial services and other markets. Cross-cutting losses due to restrictions on mobility, commercial association.
"WTO" Type	Additional further barriers to trade in financial and other services sectors.

- In all of these scenarios, the potential for non-EU trade deals and regulatory opportunities could help to offset some of the effects of lost market access on these sectors.
- These case studies are broadly consistent with the top-down estimates in the previous slide, with more deviation in some sectors such as agriculture and financial services, and we are continuing work to refine both.
- Slides 20-22 illustrate the effect of the (tariff and) NTBs on sectors and explore potential implications of different scenarios on a few important sectors. Annex B contains further broad sectoral detail.

A key priority is now to consider the NTBs for each sector in different approaches to the Florence model

12. Assumptions on EU-UK Tariff Rates

We have assessed potential tariffs for three precedent scenarios

There are some limited (but high) tariffs associated with agriculture and food and full MFN tariffs for the WTO scenario.

Any tariffs imposed on goods trade between the UK and the EU would have significant economic consequences.

	EEA–like Proxy	Average FTA-like Proxy	WTO (no deal)
Beverages, Tobacco and Food	0.0%	12.7%	12.7%
Agriculture	0.0%	26.1%	26.1%
Motor Vehicles and parts	0.0%	0.0%	4.0%
Chemicals, Rubber and Plastic	0.0%	0.0%	2.0%
Manufacturing	0.0%	0.0%	2.3%
Machinery, Equipment and Energy	0.0%	0.0%	1.4%

13. Assumptions on migration scenarios

We highlight illustrative potential EU migration policies and overlay these to our modelling. This analysis remains work in progress and is subject to continuing model developments.

The Treasury believes that a relevant factor to be considered when appraising the economic impact of various end states is the interaction with migratory flows. There are a number of possible policy scenarios - on which the Home Secretary has been consulted:

- The "WTO" scenario assumes that a relatively demanding income threshold would apply to both EEA and non-EEA migrants, on the grounds that it could be legally difficult to maintain entirely separate systems from the rest of the world in this scenario.
- For the "FTA" scenario, the model adopts a preferential lower minimum income for EEA migration relative to non-EEA migration, as part of that deal.
- The "EEA" option assumed broadly similar policies to today for economic migration.

	Illustrative EU migration policy scenarios	Indicative change in annual EU migration levels	In line with text above, assumption included in
Continued Labour Mobility	Baseline assumption	Status Quo	EEA-Type
Flexible Migration Scenario	Modelled as midway between strict policy and continued labour mobility (equivalent to £20,500 salary threshold)	-40,000 EU Workers	FTA-Type
Strict Migration Scenario	In-line with non-EU: Degree level (NQF6+) skill threshold for workers + Job Offer requirement + £30k salary threshold.	-90,000 EU Workers	WTO

14. Non-EU trade deals

Leaving the EU will provide the UK with an independent trade policy allowing the UK to negotiate its own FTAs with non-EU countries which account for 57% of UK exports.

Under EEA-type arrangements, countries have some flexibility to reach agreements with other countries but the scope and depth is constrained. Our aspiration is for broad and deep agreements with many countries, as set out in the Florence speech.

In each scenario, our modelling assumes transitional adoption of all existing EU FTAs and includes the effects of a bilateral UK-US trade deal, reflecting the importance of the US as the UK's largest single trading partner, making up 28% of the UK's non-EU trade and 15% of the UK's total trade.

- The **modelled US deal** takes a central view of what could be achieved, providing a benefit to UK GDP of 0.2% in the long-term, within a range of 0.1 to 0.3%. This is a long-run estimate independent of the timing of any deal.

- In practice, the UK will seek agreements with **many more countries**. Initial estimates from a sensitivity analysis of an ambitious FTA agenda, including with TPP countries, ASEAN, the GCC, China, India, Australia and New Zealand, would add a further 0.1% to 0.4% of GDP.

- Overall, new trade deals could therefore provide a total long-term increase of 0.2% to 0.7% of GDP.

- With greater flexibility in the economic relationship with the EU we might expect to secure greater depth and breadth in agreements we reach with other countries, including in areas such as data and services.

Unilateral Tariff Liberalisation – In a WTO scenario, we would have freedom to set our import tariffs to zero. Initial analysis suggests that this may *mitigate* the WTO results by up to 0.2% of GDP.

15. Regulatory opportunities

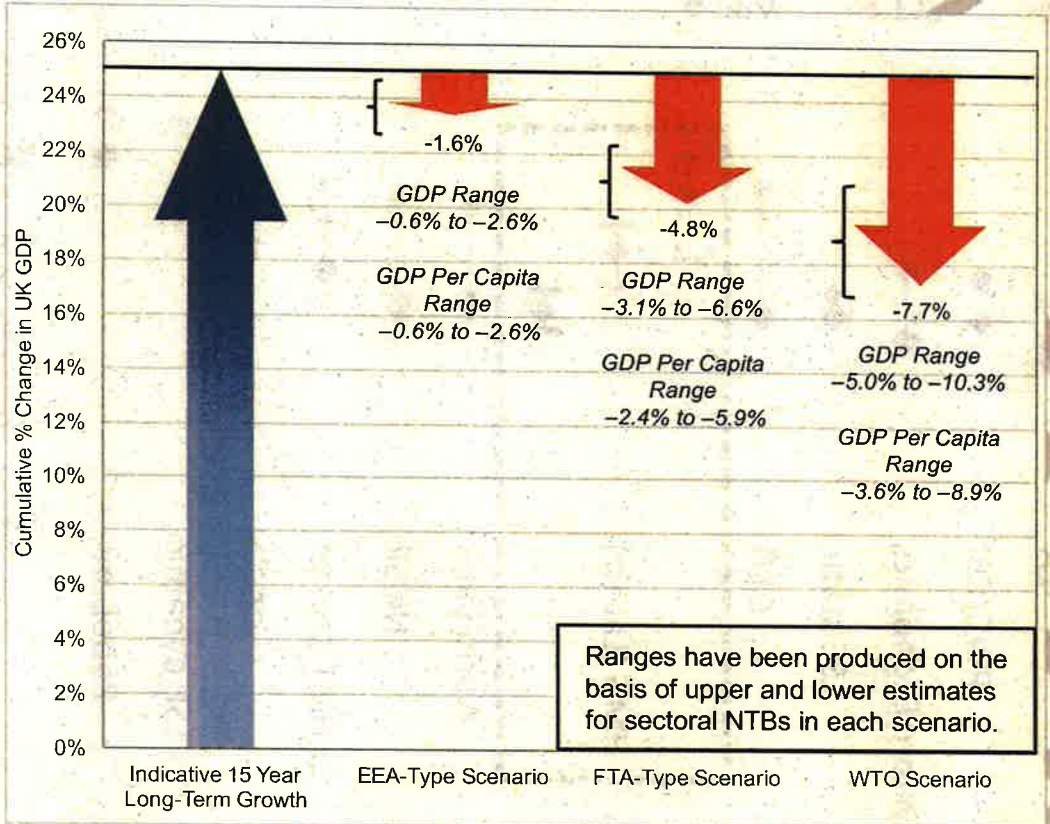
We are seeking to assess potential benefit from optimising UK regulation across multiple scenarios

- We have a shared commitment to **high regulatory standards**. However, leaving the EU could provide the UK with the **opportunity to regulate differently**, across a range of social, environment, energy, consumer and product standards.
- A **cross-Whitehall work-stream** is working through these opportunities (and seeking to quantify them):
  - Some existing external estimates of this are shown in the table.
  - The highest estimated gains where the evidence base is clear (eg +0.7% of GDP by Open Europe) rely upon policy changes in areas of high sensitivity like employment, consumer protection and environment and where the government has made a commitment to uphold standards or is already exceeding the EU minimum requirements (e.g. in the case of bank capital requirements). More generally, aspects of the OE estimate are outdated, partial or have methodological issues.
  - The estimated gains from other areas of regulation are smaller.
- Separately we are assessing **potential future costs** of remaining aligned with the EU acquis as it changes where we might expect the EU to become more protectionist after we lave. For example, BEIS is coordinating analysis of the impacts of a potential loss of 48 hour working week opt-out. UKREP is helping us map out a range of possible future scenarios for the acquis which we can then also try to model. These are necessarily highly uncertain.
- Modelling the impacts of regulatory changes needs to take into account the impact on trade deals and resultant non-tariff barriers with the EU and rest of the world, for example due to regulatory divergence or convergence.

External study	Regulation impacts	Cause of Impact
CER (2017) LSE/CEP (2016)	Assume none.	Regulation also both positive and negative impacts and so net outcome of changing is unclear
Oxford Economics (2016)	0% to 0.13% of GDP	Assumes movement toward best performers across the OECD based on OECD reg. indicators
Open Europe (2016) [used also by PwC/ CBI (2016)]	0.7% (feasible) 1.3% (highly ambitious) of GDP	Repeal of elements across social, environment, energy, consumer protection and product standards. High end of the range include changing climate change policies, air safety and banker bonus caps.
Economists for Free Trade (2017)	2% of GDP	Not stated

16. Preliminary results from HMG modeling

The three "existing" trade models illustrate a range of potential economic outcomes, while the UK will target a more ambitious deal, as set out in the Florence speech.



*Indicative growth rated calculated as an extrapolation of OBR economic forecast up to 2023 over 15 years

Whilst acknowledging the uncertainty, this initial modelling indicates that **the FTA-type and the WTO scenarios will have a greater impact on GDP than the EEA-type scenario.** The additional impact of moving from the EEA-type to FTA-type scenario is around 3.2 ppt and from the FTA-type to WTO scenario is a <u>further</u> 2.9 ppt.

The chart shows an illustrative profile of cumulative UK growth over 15 years, and how this could be affected by a range of possible trade scenarios, relative to this baseline.

The path of growth is uncertain and will be affected by a variety of factors for example global environment, EU's policy outlook, and sectoral issues. The value of HMG's analysis is to compare scenarios on a consistent basis, *not* to forecast these trends.

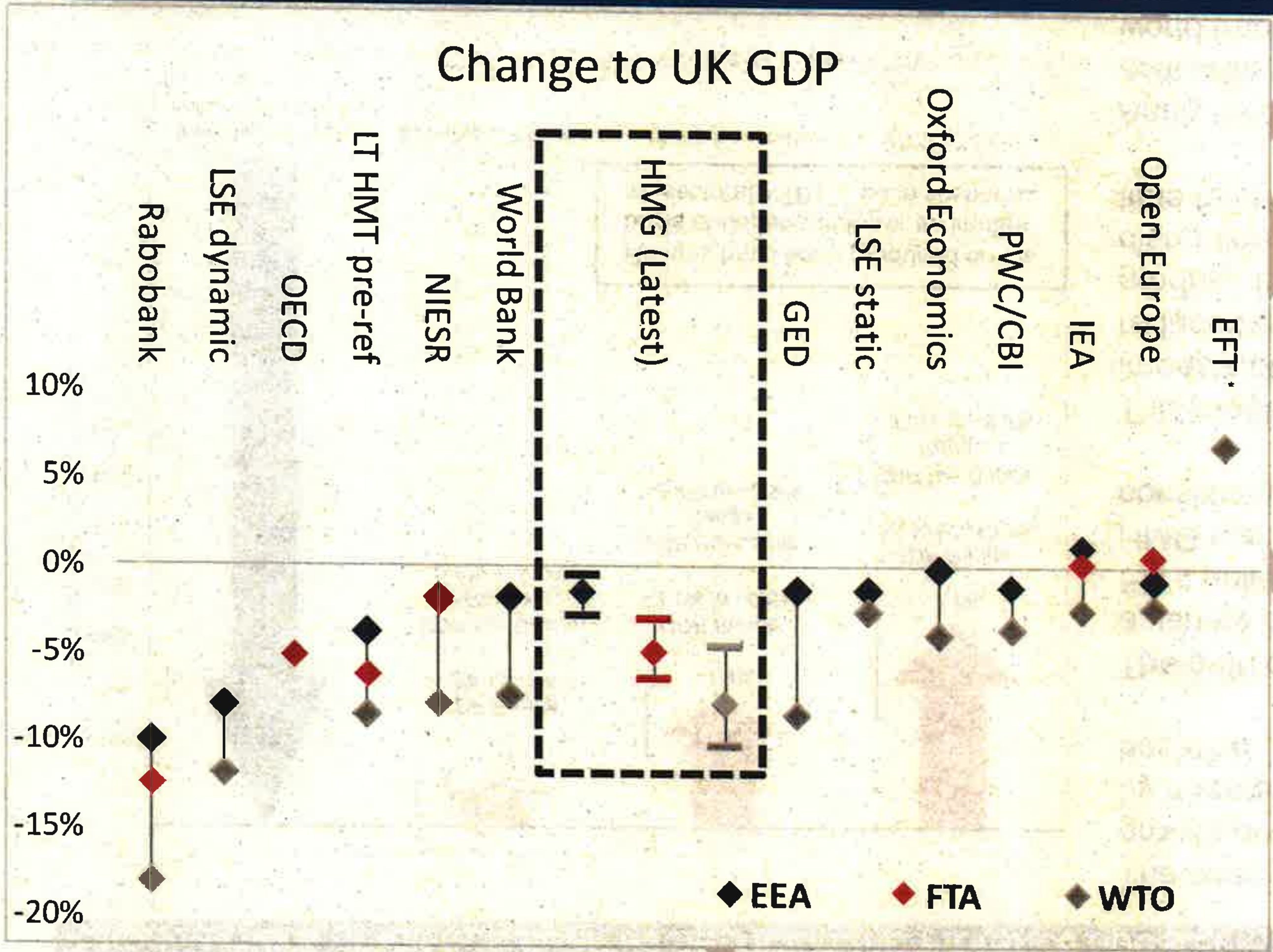
This modelling does <u>not</u> estimate the short term impacts of EU exit. Adjustments may manifest as reduced growth rates over several years and could be gradual, front-loaded (if there is any short-term disruption) or back-loaded (if supply chains take a long time to unwind).

Analysis continues, with a priority focus on improving estimates of NTBs, regulatory opportunities and rest of world trade opportunities.

GDP per capita effects are similar in magnitude to headline GDP in the EEA-type scenario. However, illustrative tighter migration policy in FTA-type and WTO scenarios results in a modest difference in GDP per capita.

17. Emerging HMG estimates compared to external studies

External estimates vary, reflecting uncertainties around exit. Emerging HMG estimates of the illustrative "existing" trade models sit broadly in the middle of this range, and are in line with the consensus of the relative costs incurred between the different scenarios



External estimates of the impact of an **EEA-type scenario** range from an increase of 1.1% to GDP to a reduction of 10% - relative to underlying growth - with a number of estimates clustered close to a 2% reduction, averaging just over 2.5%.

External estimates of a **basic FTA-type scenario** range from a reduction to GDP of just under 1% to 12.5% - relative to underlying growth, with the average around 4%.

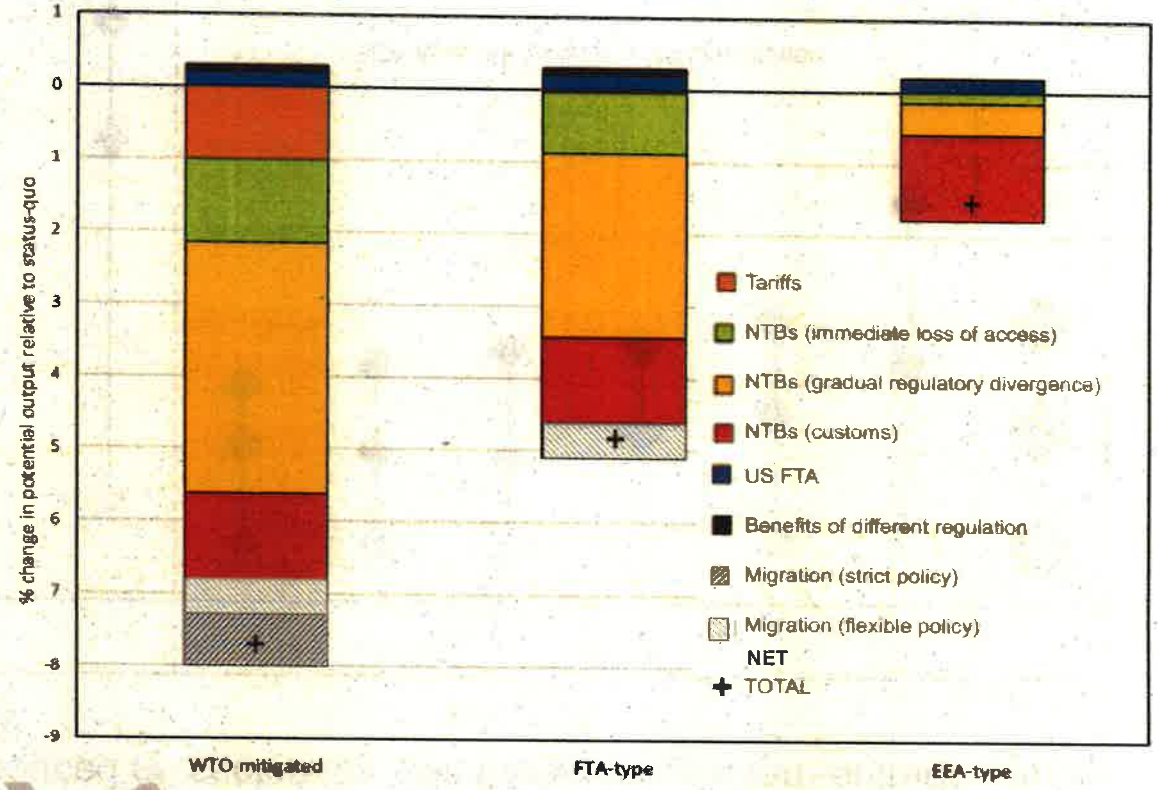
18. <u>Illustrative</u> provisional decomposition of scenarios

We illustrate the potential drivers of the headline long-run HMG estimates

Estimates show potential impact on GDP <u>relative</u> to long run underlying growth. Estimates are long-term and do not consider short-term impacts – for example a transitional arrangement, disruptive exit or bespoke timing arrangements.

Current estimates only include a US trade deal, though initial indicative estimates suggest that a more ambitious FTA agenda could add a further 0.1 to 0.4% of GDP.

The most important driver of the GDP estimates is the change in NTBs in each scenario. There are three NTB components (customs, immediate, gradual), with the effect of leaving the customs union showing a consistent effect across the three scenarios in our analysis. Further work is on-going to explore the policies that contribute to these changes in more detail. **Given that that highest effects stem from these NTBs, a key objective from any future partnership is therefore to minimise these, although some will be very difficult to eliminate entirely.**

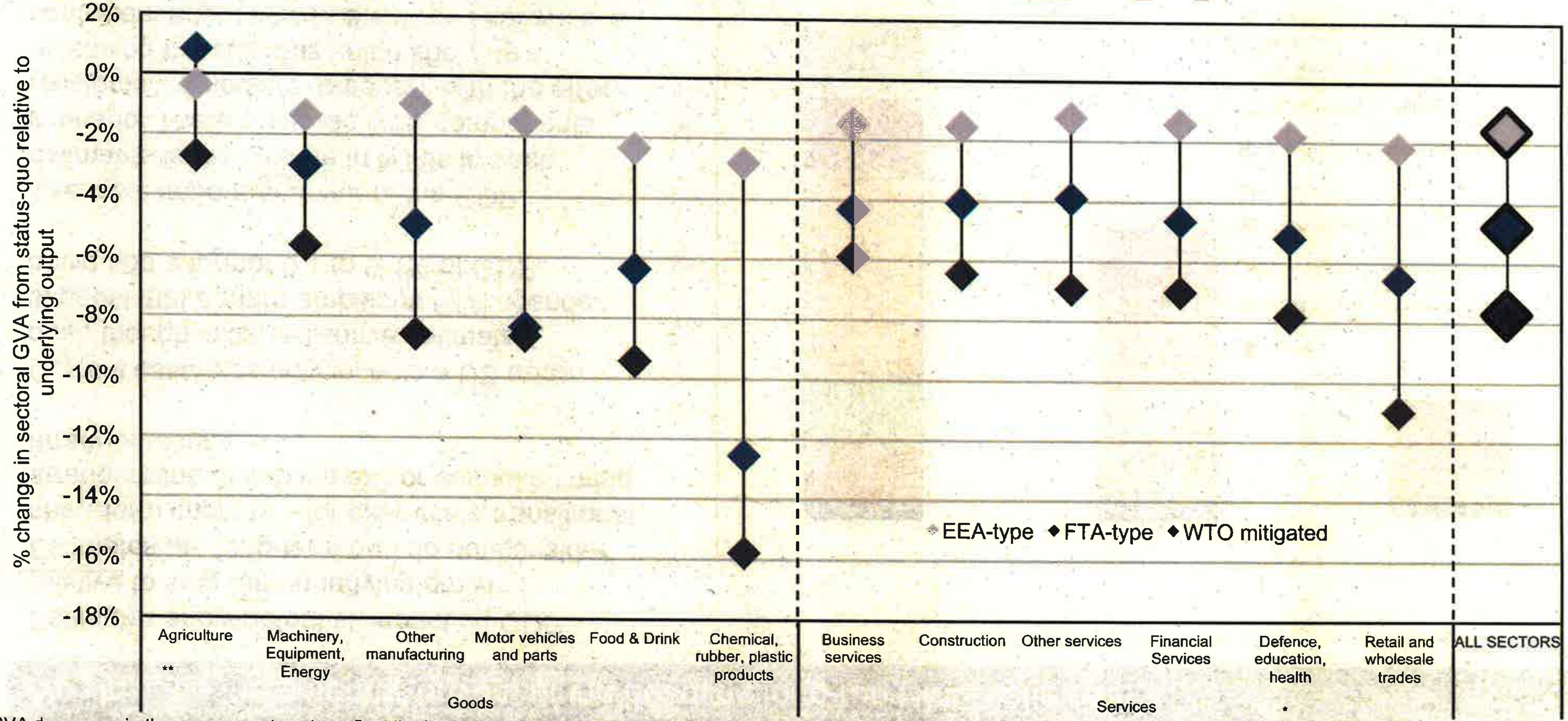


The grey blocks highlight the modelled impact on output as a result of <u>illustrative</u> changes to migration policy. In all scenarios there is also a reduction in migration as a result of weaker UK output.

19. Provisional sectoral results

We have begun to consider provisional results by sector of the UK economy, with the modelling capturing more complex second and third order impacts on each sector

- Emerging findings suggest the largest effects would be on chemicals, food and drink, clothes, manufacturing, cars, and retail.
- This reflects different trade barriers introduced on sectors by exit; their relative share of trade with the EU; and the trade intensity of their inputs.



*GVA decreases in the government sector reflect the broader economic impacts of a smaller economy
** Partial-equilibrium modelling offers a more detailed analysis of the agriculture sector and Defra's PE model results suggests more significant positive impacts on the domestic agricultural sector (at the expense of consumers) than this analysis in a WTO scenario

20. Sector narrative – Chemicals

Illustration of the types of non-tariff barriers that might be introduced

The chemicals sector is a diverse sector covering both speciality chemicals and bulk chemicals. It is also an important foundation industry for other sectors. For example, chemicals contribute 84% of inputs to make medicines.

EEA-type scenario

- Customs declarations on leaving the customs union are expected to lead to significant non-tariff barriers across all manufactured goods sectors. The chemicals sector is highly reliant on EU supply chains for intermediate inputs, with products crossing the border multiple times during the production process.

FTA-type scenario

- Chemical manufacturers and/or importers would have to transfer registrations for over 9000 chemical products to appointed representatives in the EU before they can continue selling in the EU. New chemicals would likely have to be registered twice, once in the UK and once in the EU.. Standard registration fees vary between €1,700 and €34,000. There could be additional costs of data gathering of the order of €100,000.

WTO scenario

- EU tariffs on chemicals are an average of 4.0%. This would increase first order export costs by around £500 million, which would be additional to non-tariff barriers set out above.

21. Sector narrative – Professional and Business services (PBS)

Illustration of the types of non-tariff barriers that might be introduced

The PBS sector includes legal services, accountancy, audit, advertising, architecture, consultancy, HR and recruitment, and other administrative services.

EEA-type scenario

- Using EEA as a precedent, there are limited additional barriers.

FTA-type scenario

- Existing FTAs such as CETA do not remove over 550 individual restrictions on services trade. For legal services, for example, this includes EU nationality and commercial presence requirements for service provision in some Member States.
- There could be additional restrictions on data localisation, requiring UK companies to store their data on the EU servers.

WTO scenario

- Additional member state restrictions on services trade in the absence of an FTA include foreign equity restrictions, no visa waiver scheme and nationality restrictions for business services.

22. Sector narrative – Financial services

Illustration of the types of non-tariff barriers that might be introduced

Financial services includes banking (retail, corporate and investment banking), asset management, insurance and financial markets infrastructure.

EEA-type scenario

- Using EEA as a precedent, there are limited additional barriers as firms based in EEA countries can provide financial services across the EU.

FTA-type scenario

- Under an FTA-type scenario (i.e CETA) market access would be hampered almost to the same extent as in a WTO scenario. These scenarios would prohibit firms from providing regulated financial services to the EU from the UK outside of certain exemptions, for example, the EU's equivalency regimes. However, the limitations of the current equivalency regimes (which are only available for certain areas of EU regulation and can be withdrawn by the EU authorities) would lead to firms relocating substantial amounts of activity from the UK to the EU.

- In addition to trade barriers, EU exit could impede the sector as:
  - i) there is a risk that the EU undertakes measures which would be harmful to the UK financial sector
  - ii) the relocation of EU-facing business into the EU could have knock-on implications for rest of world business currently carried out in the UK – due to a loss of economies of scale for UK-based institutions.
- As a result of these factors, London's status as a financial centre could be severely eroded.

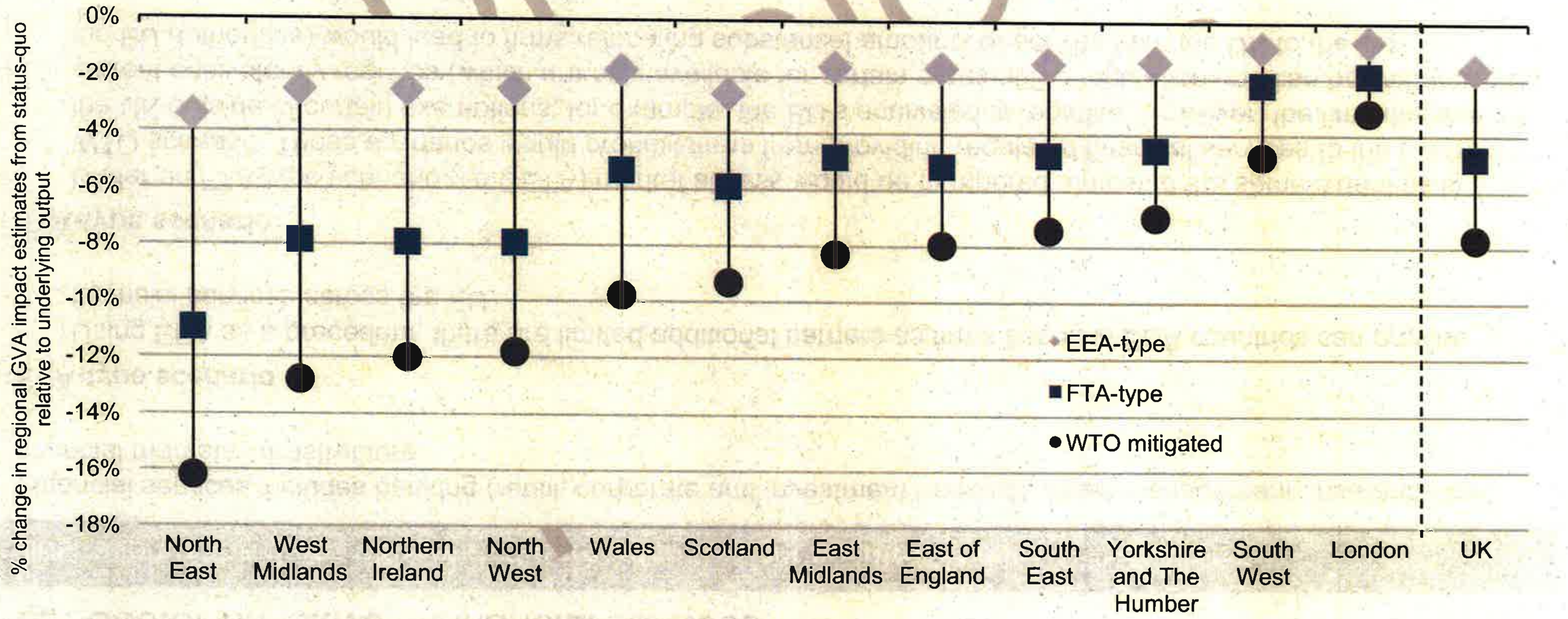
WTO-type scenario

- In addition to the above, in a strict migration scenario (an option in a WTO scenario) the sector's access to talent could be limited.

23. Provisional regional and national results

We can begin to consider initial estimates of how these findings differ across regions and nations of the UK

- Geographical effects may be likely to be greater in regions and nations that are i) more exposed to the change in trade barriers by nature of their export composition (e.g. good barriers relative to services) and ii) have a higher dependence on exports as a proportion of the regional economy.
- Our regional analysis is still developing; it does not yet consider region-specific effects of customs and the impact on the Republic of Ireland economy, including any scenarios including a 'hard border' (which the government has committed to avoid) all of which would be expected to affect Northern Ireland more than the rest of the UK.

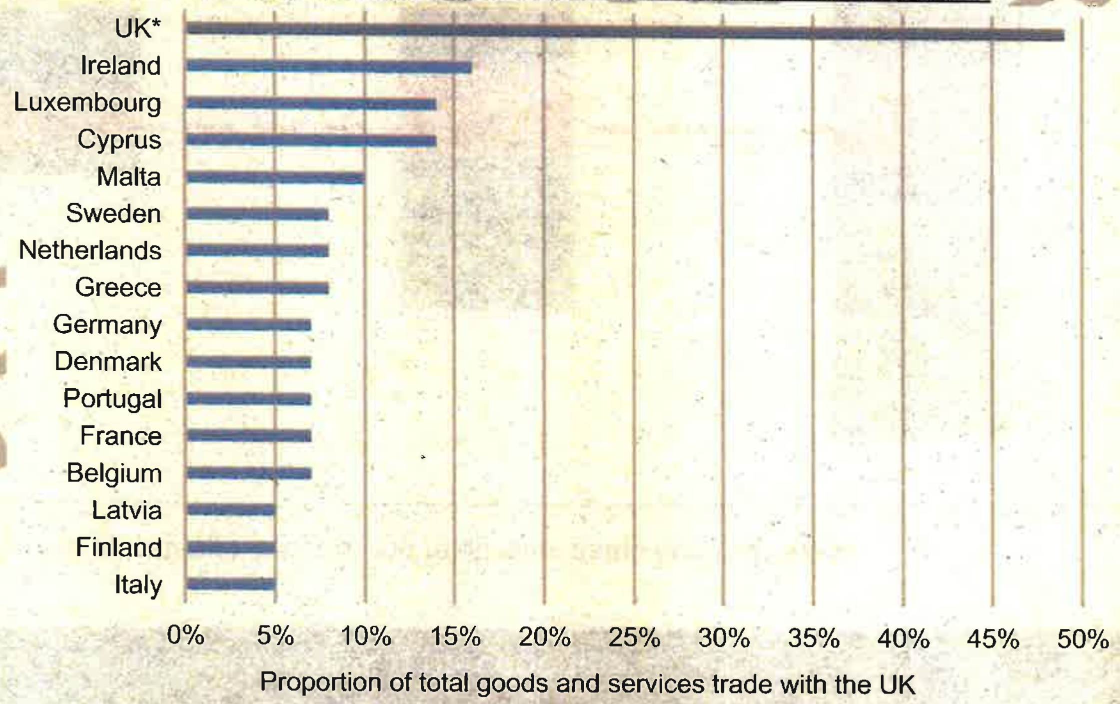


24. Impact on EU Member States

Changes to the UK and EU trading relationship would have economic implications for other member states.

- A Future Economic Partnership scenario that results in lower market access and higher costs of trade for the UK would also have economic implications for the rest of the EU and the individual member states.
- The scale of the economic impact on individual member states will depend, among other things, on the size, composition and importance of their current trading relationships with the UK.
- We are in the process of producing CGE model estimates of the economic impacts on member states.
- Ahead of this, the chart shows the share of total trade for EU member states that is accounted for by trade with the UK alongside the share of total UK trade accounted for by trade with the EU for comparison.

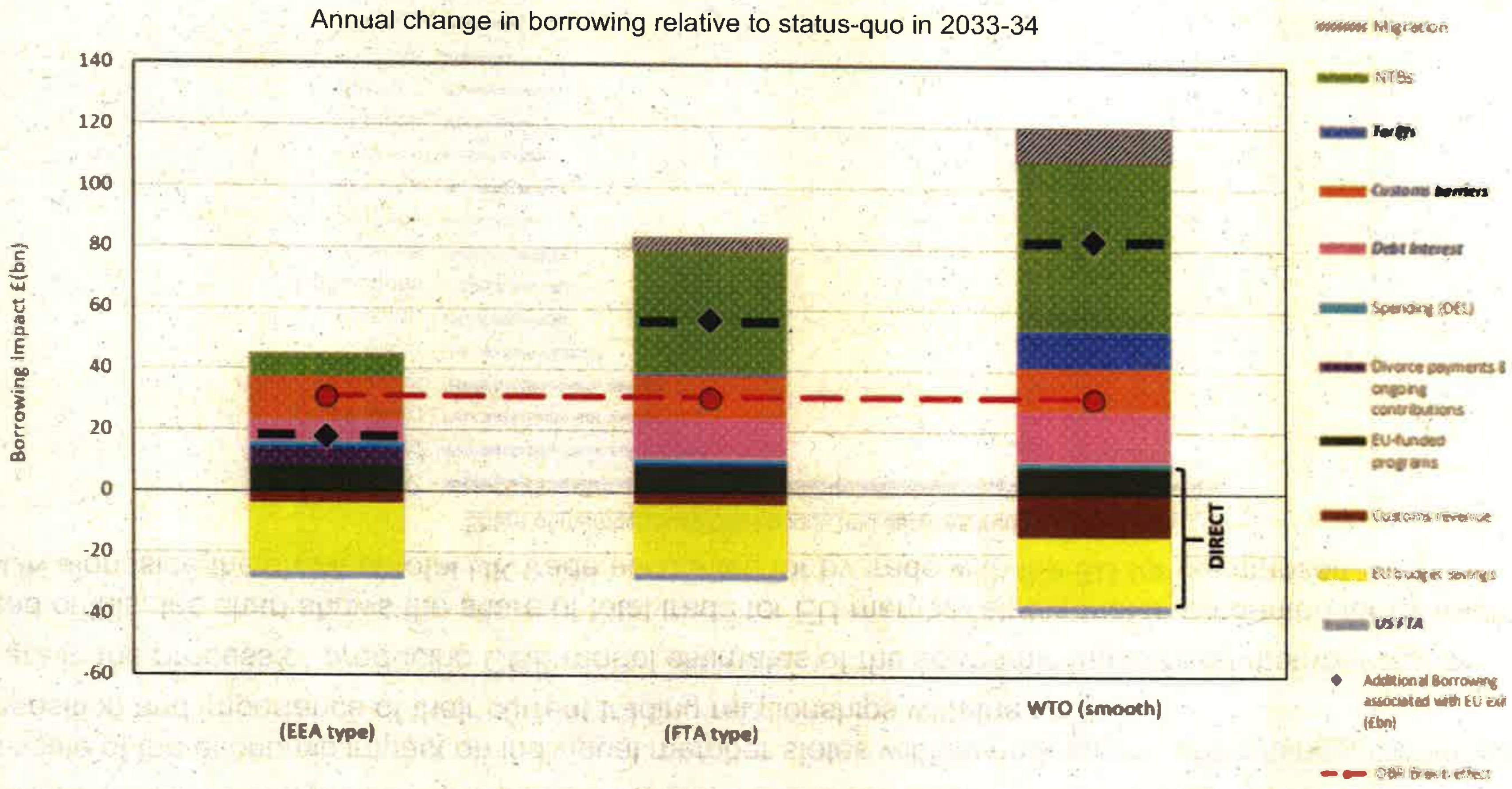
Share of member state **total** goods and services trade with the UK



*For the UK, this chart shows the proportion of goods and services that is with the EU 27.

25. Fiscal implications

We have illustrated the net fiscal impact of existing precedents



Fiscal Assumptions	EEA-type	FTA-type	WTO
Ongoing contributions to EU	Norway style	Swiss style	None
Customs revenue retained?	On non-EU imports	On non-EU imports	All imports
Migration Policy	Continued labour mobility	'Flexible' labour mobility	'Strict' labour mobility

26. Stress testing and sensitising our results

We are stress testing our analysis to explore a full range of factors that influence the projections

UK Modelling Capability

Current Priority Workstreams	Analyse the potential for more/deeper FTAs	Analyse the potential benefits/costs of regulatory change	Refine NTBs and reconcile with bottom-up analysis
Upcoming Work	Assess alternative policy scenarios and use these to identify maximum upside and minimum downside.		
	Test alternate model specifications	Assess distributional impacts	Refine regional impacts
	Plurilateral service trade liberalisation	Run sensitivity analysis around specific model parameters	Unilateral non-tariff barrier liberalisation
	Impact of joining wider FTA trade blocs	Speed at which impacts are felt / transition pathway	Sensitivity analysis on future global developments
Future developments	Changing contributions to EU programme budgets	Further analysis of migration policy options	Further incorporation of FDI

Commission Modelling

We expect the EU to ramp up its analytical capability around UK exit, both in inputting to negotiations and where some of this is likely to reach the public domain. We need to be ready to respond to this appropriately.

ANNEX

Annex A. Key differences between external analyses

Differences between external models are driven by a number of key assumptions.

	Highest Positive Approach	Highest Negative Approach
Trade Barriers	• Unilateral reduction in NTBs (EFT) • UK able to access 20% cheaper imports of same quality (EFT)	• Trade reduction with EU up to 55% (World Bank)
FDI Impacts	• No FDI reduction assumed (LSE static)	• Decline in Inward FDI up to 45% (OECD)
Productivity	• No wider impacts on firm productivity (Open Europe)	• Lower openness, R&D spend and domestic competition reduce productivity and lower UK growth rate by 40% (Rabobank)
Non-EU trade deals	• Maintain existing FTAs and new trade deals with USA, China, Brazil, Russia, Australia and India (IEA)	• UK is assumed to lose access to all existing FTAs (GED, PWC)
Deregulation	• Up to 2% GDP gain from deregulation (EFT, Open Europe)	• No gains from deregulation (LSE, NIESR)

Key differences in approaches include estimates of:

- Trade Barriers;
- FDI Impacts;
- Impacts on productivity;
- Non-EU Trade Deals;
- Deregulation.

Most analysts use econometric (e.g. 'gravity' models) or structural (e.g. Computable General Equilibrium) models of the economy, or a combination of the two (as we do in HMG).

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Discussion Document

Beyond Brexit:

Future of funding currently sourced from the EU

July 2017

Contents

1. Introduction

1.1. Following the referendum, one of the biggest concerns from councils was addressing the potential €10.5 billion (£8.4 billion) UK-wide funding gap for local government that would immediately open up from the point we officially exited the EU, unless a viable domestic successor to EU regional aid was in place.[1]

1.2. The Local Government Association (LGA) successfully campaigned for guarantees for local areas over the remaining quantum of funding for the 2014-20 programming period, (HM Government, 2016) as well as guarantees for successor arrangements, once we leave the EU (LGA[a], 2017).

1.3. It is clear that unpicking our ties with the EU and renegotiating our relationship with Europe will impact the UK in a whole host of different ways (LGA[b], 2017), (LGA[c], 2017), (Parliament UK, 2017).[2]

1.4. Given the UK's productivity deficit, trade imbalance and need to match the economic performance of our global competitors (LGA / Oxford Economics, 2015), (LGA / Value Adage, 2017)[3], our widening skills gaps (LGA / Learning & Work Institute, 2017)[4] plus the Government's stated objective to balance local area economies via the Industrial Strategy, (HM Government[a], 2017)[5] we believe that it is vital that local leaders across the country have access to the appropriate levers of growth.

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[1] Based on the current ESIF programme, England and the devolved administrations in the UK had been set to receive a total of €10.5 billion (£8.4 billion) from the EU Structural and Investment Funds allocations for the period 2014-20, to support sustainable economic development and reduce regional wealth disparities (Parliament UK, 2016).

[2] The UK's exit from the EU will have a significant impact at council level. Many scenarios ranging from '*Hard Brexit'* to '*Soft Brexit'* have been discussed at length by numerous commentators (Parliament UK, 2017).

[3] The UK's trade balance has been deteriorating and we now face an era of almost unprecedented uncertainty and volatility in global markets, with Britain's impending exit from the European Union, growing protectionist sentiment, increased global competition and political instability (LGA / Oxford Economics, 2015), (LGA / Value Adage, 2017).

[4] By 2024 there will be more than four million too few high-skilled people to take up available jobs, two million too many with intermediate skills and more than six million too many low-skilled. The LGA believes that by bringing employment, skills, apprenticeships and careers guidance services and providers into a one stop shop, it would result in a more coherent offer and improve outcomes for the unemployed / low skilled. See Work Local - Our vision for an integrated and devolved employment and skills services (LGA / Learning & Work Institute, 2017).

[5] The Industrial Strategy states "*Economic imbalances between different parts of Britain are larger than our competitors, with incomes and living standards lagging behind in too many parts of the country. These disparities hold back the country's growth and limit opportunities for too many people*." (HM Government[a], 2017, p. 21)

1.5. We strongly believe that successor arrangements for EU funding should address these challenges, with an emphasis on enabling local areas to set their own priorities, and enhancing their capacities to adapt to unknown challenges that will need to be addressed after Brexit.

1.6. The first part of this report covers the LGA's work to date; this includes a summary of our basic principles for successor arrangements, (see Table 1: Basic principles for successor arrangements for EU regional aid) and an analysis of our independent research into potential funding scenarios. It then covers the LGA's campaign success in influencing all of the main party manifestos to recognise the risk of 'no successor' arrangements for EU funding for local areas.

1.7. The second part of the report presents in-depth analysis of three options, which aim to inform the design and delivery of successor arrangements, as follows: 'Option 1: No change' (p.12), 'Option 2: Innovative flexi-fund' (p.14) and 'Option 3: Fully integrated' (p.16).

1.8. The report also has three annexes: Annex A: Independent research: Beyond Brexit: Securing post EU local growth (p.22); Annex B: Manifesto commitments on the future of funding currently sourced from the EU (p.23) and Annex C: List of other EU funding initiatives that are important to councils (non-ESIF) (p.25).

1.9. The options and analysis presented are intended to kick-start a conversation, and we are keen to receive feedback. We are particularly interested in hearing about any opportunities and/or risks that are not captured by the analysis and that should be explored—particularly when these are bespoke to local areas.[6]

1.10. All information can be submitted to brexit@local.gov.uk

LGA is working closely with the three associations (Welsh Local Government Association (WLGA), Convention of Scottish Local Authorities (COSLA) and Northern Ireland Local Government Association (NILGA)) on key aspects of our work and evidence base.

[6] In addition to feeding this information into relevant government departments, we are also committed to providing an online hub for place-based information about the impact of exiting the EU www.local.gov.uk/brexit. Depending on the nature of the information we receive, this may be most effective if made publicly accessible. As such, it would be much appreciated if you could please indicate in your covering email if you do not want your local assessments made publicly available. Many thanks in advance for your help with this important work.

2. Background

2.1. Following the referendum, the LGA held wide consultations with councils and stakeholders to establish the basic principles for successor arrangements for EU funding; these were based in the main on known and desirable design principles, together with learning from current EU funding policies. (See Table 1: Basic principles for successor arrangements for EU regional aid).

2.2. Based on these principles, the LGA commissioned independent research into early thinking options on locally driven regeneration funding policy in the UK (LGA / Shared Intelligence, 2017). (See Annex A: Independent research: Beyond Brexit: Securing post EU local growth).

2.3. Most respondents to this independent research highlighted the strong opportunity to make successor arrangements for EU regional aid more flexible and responsive to local needs. The 'silo' approach to funding, where money is tightly controlled by Whitehall, was not seen as the answer to addressing the challenges and ambitions of local areas.

2.4. In particular, many agreed with the basic principles of greater flexibility, local control and pooling of resources. Many also made the point that these aims would be best achieved by devolved funds with single local investment pots. Both sets of work also identified the Industrial Strategy (HM Government[a], 2017) as the appropriate basis to start a conversation for successor arrangements.

2.5. Following the announcement of the 2017 UK Parliamentary general elections, the LGA lobbied strongly on the policy priorities that councils wanted adopted by each of the political parties in their manifestos, in order to help local government to better support their communities and deliver on the challenges facing the nation (LGA[c], 2017)

2.6. On EU funding we called for all political parties to "*Commit to working with local government to develop a locally driven UK replacement for EU 'regional aid' to ensure local areas continue to thrive and contribute to the national wealth of our nation"* (LGA[c], 2017, p. 2)

2.7. Importantly, we identified '*no successor'* to EU funding as a worst case scenario, as this immediately introduced a €10.5 billion (£8.4 billion) funding gap for local areas. The case studies collected under the independent research clearly highlighted the risks to local growth and prosperity.

2.8. The LGA also raised the issue of the international comparative disadvantage this scenario would also introduce. Other member states, such as Greece, Hungary, Lithuania, Estonia and Latvia, would continue to receive relatively high levels of structural funding per person—over €500 per person, per year (based on averages between 2011 and 2015) (Parliament UK, 2016). [7] This also underscores the key principle of why the full quantum of replacement funding (and rapid transition to successor arrangements) remains so important.

2.9. The LGA's iteration of the risks associated with this scenario was widely accepted. By May 2017, all main UK political parties had published manifestos that explicitly recognised these risks and committed to successor arrangements (LGA[d], 2017)[8] This was a significant achievement for the sector, given the fact that up to this point there had not been a clear consensus that a domestic successor to EU regional aid was necessary. (See also Annex B: Manifesto commitments on the future of funding currently sourced from the EU).

2.10. For example, the Conservative Party 2017 manifesto made the following commitment:

"We will use the structural fund money that comes back to the UK following Brexit to create a United Kingdom Shared Prosperity Fund, specifically designed to reduce inequalities between communities across our four nations. The money that is spent will help deliver sustainable, inclusive growth based on our modern industrial strategy. We will consult widely on the design of the fund, including with the devolved administrations, local authorities, businesses and public bodies. The UK Shared Prosperity Fund will be cheap to administer, low in bureaucracy and targeted where it is needed most (Conservative Party, 2017, p. 37).

[7] The UK roughly equates to €107 per person, per year, which is amongst the lowest from the current 28 member states on average over the same period. See Brexit: UK funding from the EU (Parliament UK, 2016)

[8] See LGA document '*What the manifestos say: 2017 Brexit, devolution and Constitutional reform'.* This document sets out the key commitments on Brexit, devolution and constitutional reform in the 2017 Conservative, Labour, Liberal Democrat, UKIP and Green national manifestos (LGA[d], 2017).

2.11. The Labour Party manifesto suggested the following:

"*We will ensure there is no drop in EU Structural Funding as a result of Brexit until the end of the current EU funding round in 2019/20. As part of Labour's plans to rebalance and rebuild the economy, we will ensure that no region or nation of the UK is affected by the withdrawal of EU funding for the remainder of this Parliament"*. (Labour Party, 2017, p. 27)

2.12. Following on from the 2017 General Election and the publication of the Queen's Speech 2017 (HM Government(h), 2017), the LGA has reaffirmed its pledge to work closely with the Government and its partners on the successful design and delivery of successor arrangements (LGA[a], 2017).

Table 1: Basic principles for successor arrangements for EU regional aid

1. **Opportunity for different and better** – Seize the unique opportunity to make domestic successor arrangements for EU regional aid more flexible and responsive to local needs.
2. **Successor funding for local growth is at least equal in value to the current European Structural Funds investment scheme** –England and the devolved administrations in the UK had been set to receive a total of €10.5 billion (£8.4 billion) from the EU Structural and Investment Funds allocations for the period 2014–20 (based on 2014–20 allocation, and adjusted for inflation currency movement) (Parliament UK, 2016). Clear guarantees to protect the full amount of this type of investment, to protect local regeneration plans, flagship infrastructure projects, employment and skills schemes and local growth in our communities, is now essential, alongside rapid transition. The successor arrangements must also incorporate the principles of additionality and complementarity to ensure the investment is delivering impact, and not simply plugging gaps in provision.[9]
3. **Maximum integration with other funding streams** – Domestic redesign should encourage and support integrated packages of financial support to drive sustainable growth and jobs within local areas, without the current policy silos, duplications, gaps and inconsistencies, which have characterised earlier schemes. It should also complement any future work on further business rate retention[10] and the national Industrial Strategy (HM Government[a], 2017).
4. **Funding distributed over a stable period –** The current EU funding programme is allocated over a seven-year period, with a further three years allowed for projects to be completed and claims submitted. This is regarded by many as a significant benefit, as it allows for long-term planning beyond normal domestic funding cycles.

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[9] EU funding is predicated on the concept of additionality, in that the funding contribution to a local project must add value to new or existing activity. Projects need to demonstrate that the activity paid for by ESIF would not have taken place in this form without its support source (HM Government, 2013).

[10] The LGA has been working with the councils and the Department for Communities and Local Government (DCLG) to ensure that local government is vocal in shaping how further business rates retention could work if the Government goes ahead with the reform. See www.local.gov.uk/topics/finance-and-business-rates/business-rates/business-rates-retention

5. **Funding is easier to access and manage** – Domestic redesign should include a simplified and more proportionate approach to financial management, to allow for shorter time frames for decision, authorisation and payment.
6. **Space for experimental and creative approaches** – A small amount of any new fund could be piloted to try new ideas in regeneration and skills development.
7. **Funding interventions based on local determination and local delivery** – Domestic redesign should support the principle of a bottom up single, place-based strategy established around the needs of people (rather than separate institutions) to enable more targeted support for local key issues. It has to be able to sit within devolved structures and unlock the ability to implement real local discretion.
8. **Accountable to people and place**– Leaders of local government in England, Wales, Scotland and Northern Ireland have united around the call for further devolution to local communities across the UK after Brexit. (LGA[a], 2017), (LGA, COSLA, NILGA, WLGA, 2016).
    - 8.1. In England, for example LGA have previously called for responsibility for any future government funding for local growth to sit with combined authorities and councils. This will enable business leaders of Local Enterprise Partnerships (LEPs) to be key partners and to focus on providing hard-edged strategic business advice and influencing national economic strategy (LGA[e], 2017).
    - 8.2. In Wales, the Welsh Local Government Association (WLGA) has welcomed the proposal by the UK Government to put funding in place to support regional development after the UK leaves the EU but believes that Wales' share of the proposed Shared Prosperity Fund should be devolved to Wales as economic development policy is a devolved matter, and that the amount of funding available to Wales should be no less than if the UK had remained in the EU. The WLGA believes that the Welsh Government should set the direction for future regional policy in Wales whilst ensuring that future policy is responsive to local needs. This means that decision-making and funding should be devolved down to the most appropriate level in line with the principle of subsidiarity, that local government should be actively involved in co-

designing a new regional policy for Wales and that it should be built on the work of the four Regional Partnerships already developing place based plans for their areas. Local Authorities, working collaboratively at a regional level with key partners from the wider public, private and third sectors, and the Higher and Further Education sectors, would then agree their regional development plans with the Welsh Government with funding allocated to each region to implement and deliver agreed shared outcomes. This would negate the need for national Wales wide programmes and ensure that future funding reflects local and regional needs and opportunities.

Table 2: Potential funding scenarios for successor arrangements for EU regional aid

The LGA's analysis suggests that three options for UK regional aid were possible following Brexit, as follows:

Option 1: 'No change'	• Successor scheme, but no change to design or delivery. • Avoids the risks of hiatus or withdrawal, but locks current programme inflexibilities into the new arrangements. • Introduces a higher risk of funding programme fragmentation, i.e. structural money that flows back to the UK is allocated to individual Whitehall departments and distributed on a ring-fenced basis, thus leaving less flexibility for local targeted funding. • Local areas have less ability to adapt to 'unknown' post-Brexit scenarios. • Not considered to be a realistic or desirable long-term arrangement.
Option 2: 'Innovative'	• Big step forward. Opportunity for major devolution of decision making. • Integration of all former ESIF funding programmes into flexi-fund single pot allocation, which is devolved to all Functional Economic Areas (FEAs). • No reduction in overall value, non-silo approach and less ring-fenced. • Better shaped to national/local outcomes (rather than process) and linked closely to the devolution agenda, as well as linking to relevant pillars of the Industrial Strategy (HM Government[a], 2017). • Greater resonance with the basic principles (See Table 1: Basic principles for successor arrangements for EU regional aid). • Local areas also have greater ability to adapt to unknown post-Brexit scenarios.
Option 3: 'Fully integrated'	• As Option 2 (e.g. single pot allocation, flexi-fund for unknown post-Brexit scenarios, linking to Industrial Strategy) aimed at creating maximum benefits for the local economy, post-Brexit. • Builds on this option by enabling the greatest flexibility for local areas to seek, bid and incorporate a funding streams range from funding programmes beyond structural funds (such as Horizon 2020 or the European Investment Bank (EIB) funding); See Annex C: List of other EU funding initiatives that are important to councils (non-ESIF) • Incorporates and consolidates the full quantum of funding on supporting growth and regeneration, which is currently spread across 70 funding streams, managed by 22 government departments and agencies (LGA / Shared Intelligence, 2016)

3. Option 1: No change

3.1. This option would mean a UK regional aid policy that mirrors the current ESIF funding programme in terms of structure, value and allocation timescales. The key difference being that the source of the funding would be from the UK government, rather than from Europe.

3.2. Under this scenario, the design of the programme would remain largely nationally-led under a singular set of priorities, which takes partial account of local needs, and would require adoption by councils and their partners. Funding would remain separate for the different streams, and likely managed by various government departments and/or managing agencies.

3.3. It is likely that in England the ESIF local area committee structure would be retained,[11] and in the short term central government would take over many of the EU's monitoring and evaluation duties, such as performance measured by outcomes, number of jobs created, SMEs supported or completion of capital transformational projects.

3.4. It is also likely that this option would retain the additional conditions that were announced as part of the HM Treasury funding guarantee for EU-funded projects approved before the UK leaves the EU (HM Government, 2016). [12]

3.5. While Option 1 is desirable in comparison to having no successor arrangements (in terms of the removal of the threat of a funding cliff edge at the point the UK exits the EU), it presents a risk in that, by simply mirroring and locking in pre-Brexit models and approaches to growth funding, local areas are left underprepared and less able to adapt to unknown or uncertain post-Brexit scenarios in the UK.[13]

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[11] Thirty-nine Local Enterprise Partnership (LEP) areas support the delivery of the 2014 to 2020 European Structural and Investment Funds (ESI) Funds Growth Programme in England. (HM Government[e], 2017)

[12] For ESIF projects signed after the Autumn Statement 2016 and which continue after we have left the EU, HM Treasury will honour funding for projects if they provide "*strong value for money*" and are "in *line with domestic strategic priorities"*. (HM Government, 2016).

[13] Many scenarios ranging from '*Hard Brexit'* to '*Soft Brexit'* have been discussed at length by numerous commentators (Parliament UK, 2017).

3.6. The LGA's analysis of how we will pursue the needs of local government throughout the Brexit process suggests that the risks and opportunities of leaving the EU will vary considerably by area of the UK (LGA[b], 2017).

3.7. Furthermore, the LGA has long asserted that there is no such thing as a singular sub-regional economy (LGA, 2013).[14] With such diversity of place, it is not credible for a centrally administered system to maximise the growth potential across localities.

3.8. Option 1 would equate to a national growth-related funding resource allocated directly to individual Whitehall departments and distributed on a ring-fenced basis to local areas. This would effectively lock local areas into restrictive and ultimately fragmented funding arrangements, at a time when central government should be seeking opportunities to devolve powers to local communities through local government.

3.9. This would contradict the Government commitment in 'The White Paper on Exiting the EU' that it would "*continue to champion devolution to local government and [is] committed to devolving greater powers to local government where there is economic rationale to do so*" (HM Government[b], 2017, p. 19)[15]

3.10. Option 1 is not considered a desirable or realistic long-term arrangement. A "*silo*" approach to funding, controlled by Whitehall, is not the answer to addressing the challenges and ambitions of local areas. The LGA believes that design and delivery of successor arrangements for regional aid must be part of a new conversation between central and local government, and this is explored under Options 2 and 3.

[14] "*There is no such thing as the English Economy. It is made up of city regions, county economies and sub-regional labour markets. It is not simply north/south. Whilst York thrives in the North, seaside economies lag behind in the south. The South-East is one of the richest economies in Europe, but the North-East is consistently voted the best region for business investment*" (LGA, 2013, p. 3).

[15] The White Paper states that the Government will "*continue to champion devolution to local government and are committed to devolving greater powers to local government where there is economic rationale to do so."* The Local Government Association (LGA) called for this immediately after the referendum. We welcome this approach and will continue to work closely with the local government associations of Scotland, Wales and Northern Ireland to develop the detail of 'double devolution' to ensure that powers repatriated from the EU do not stop at Whitehall, Stormont, Cardiff Bay and Holyrood.

4. Option 2: Innovative 'flexi-fund'

4.1. Option 2 represents a step forward, with a fundamental reworking of pre-Brexit funding arrangements into a more innovative and flexible single pot allocation, which is arguably a better fit for post-Brexit UK.

4.2. Under this option, to gain maximum value from future successor funding, we would advocate that the totality of former ESIF funding is aligned into a single 'flexi' funding pot and transferred directly to sub-regional devolved 'Functional Economic Areas' (FEA) for England and appropriately identified devolved administration the nations and regions.

4.3. A single funding pot could, for example, merge the local strands of the European Social Fund (ESF) and the European Regional Development Fund (ERDF), plus the development parts of the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).

4.4. In England, the FEAs could arguably follow the funding distribution geography of the current ESIF programme, however, the important difference under this successor arrangement would be much greater control over funding decisions, which would be devolved to all local areas. This is opposed to ceding limited control to a few selected areas such as London regional government, combined authorities or other Intermediate Bodies (IBs) and Integrated Territorial Investments (ITI) as per current arrangements (HM Government[e], 2017).

4.5. Under the single pot principle, local areas would be afforded maximum flexibility to target need and tailor provision, to stimulate growth in local areas and contribute to the national economy. This requires a commitment to developing a fully integrated programme that brings together the people, places and business driven funding. It would, by design, enable investments from several funding streams to be combined for the purposes of multi-dimensional and cross-sectoral intervention.

4.6. For example, the combination of physical investments in infrastructure from ERDF with the investments in human capital from ESF is particularly relevant in the case of sustainable urban development. Case studies have similarly indicated that combined investments from ERFD and EAFRD are particularly relevant for support to urban-rural partnerships.

4.7. It is accepted that funding could not be devolved unconditionally, and that a proportionate assurance framework would still need to be set. Many of the case studies from the independent report (LGA / Shared Intelligence, 2017) refer to the high level of bureaucracy in the current programme, and the fact that ERDF, ESF and other EU funding programmes were separate but added an extra layer of compliance that limited time and resources.

4.8. It is envisaged that the relevant pillars of the Industrial Strategy (HM Government[a], 2017) would form the basis of a revised post-Brexit thematic menu, meaning that important national policy developments would remain complementary to local priorities and vice versa. Local areas would also manage the governance structures, and determine those arrangements that would enable appropriate oversight and accountability.

4.9. Our analysis suggests that the integration of formally separated funding programmes into a single pot would simplify funding allocation processes, limit the duplication and bureaucracy of multiple bidding processes and free up time and resources (LGA / Shared Intelligence, 2014), (LGA / Shared Intelligence, 2016). This principle is further explored under Option 3.

5. Option 3: Fully Integrated

5.1. Option 3 represents the greatest flexibility in the design of a successor arrangement for regional funding and would enable projects to be designed that create maximum benefits for the local economy.

5.2. As with Option 2, there is a strong link between national outcomes to suit local circumstances via the Industrial Strategy (HM Government[a], 2017), however, Option 3 would go much further, as it would identify and integrate all post-Brexit growth-related funds and subsidies, including those that sit beyond EU structural funds.

5.3. For example, alongside structural funds, many local communities also currently benefit from UK participation in a range of smaller European funding programmes, such as Horizon 2020, Interreg, LEADER programmes and the Erasmus (HM Government[b], 2017).16 See also Annex C: List of other EU funding initiatives that are important to councils (non-ESIF)

5.4. Upon leaving the EU the Government has already indicated in 'The White Paper on Exiting the EU' that choices need to be made about how any such funds are to be accessed, e.g. "*Once we have left the EU…there may be European programmes in which we might want to participate. If so it is reasonable that we should make an appropriate contribution"* (HM Government[b], 2017, p. 49).

5.5. The LGA believes that there are clear reasons why the Government should consider the needs of local communities as these post-exit financial decisions are made. In addition to structural funds and providing access to other EU funding initiatives that are important to councils, Option 3 would also go much further and bring together the full quantum of the national growth-related funding under the flexi-fund arrangement.

[16] In 2016 the UK Government paid £13.1 billion to the EU budget, and EU spending on the UK was forecast to be £4.5 billion. So the UK's 'net contribution' was estimated at about £8.6 billion. UK public sector receipts in 2016, mainly from the European Agricultural Guarantee Fund (EAGF), European Agricultural Fund for Rural Development (EAFRD) and the Structural Funds, are expected to be around £4.5 billion. The majority of these receipts will either be paid to, or used in support of, the private sector, but are channelled through government departments or agencies (HM Government[c], 2017).

5.6. As we suggest under Option 1, current government spending to support economic growth and regeneration is still too fragmented and wasteful and the silo approach to funding, controlled by Whitehall, is not the answer to addressing the challenges and ambitions of local areas or dealing with unknown or uncertain post-Brexit scenarios in the UK.

5.7. Independent research commissioned by the LGA reveals that over £23.5 billion of identified spending on supporting growth and regeneration is spread across 70 funding streams, managed by 22 government departments and agencies, each with different objectives, timetables and rules. The majority of this funding is subject to little or no local influence or control to drive growth and create jobs. Our findings illustrate how this acts as an impediment to joined-up policy making and the effective delivery of local services, as it inherently fails to focus on the wider needs of communities. (LGA / Shared Intelligence, 2016)[17]

5.8. We believe that fully integrated financial devolution would allow funds to be spent with much fewer restrictions and enable the most effective framework for integrated or pooled funding. This would enable councils, who understand their communities and places better than central government, to better target taxpayers money to the needs of people and places.

[17] The LGA commissioned independent research that identified a proliferation of numerous non-place based funding streams, managed by different Whitehall departments and agencies, many of which are subject to competitive process, create greater uncertainty, wasted bureaucracy and poor value-for-money (LGA / Shared Intelligence, 2014), (LGA / Shared Intelligence, 2016).

5.9. There are many other mainstream studies that evidence a clear and positive link between fiscal decentralisation and economic growth. [18] Without fiscal autonomy and flexibility in local government finance, local government will always be constrained to the degree to which it can unleash local economic growth potential, how flexibly it can respond to local needs and circumstances, and also in its ambition to take risks in meaningful local projects in which it must first seek assurances from central government (as the main funding source) for any significant investment.

[18] . For example, the *Heseltine Review* set out a strong case for the alignment and devolution of skills budgets to address employer demand. By devolving 16-19 year old, and post 19 year old skills and apprenticeships budgets to localities, partners would be enabled to adapt skills provision to meet local employer demands and help drive long-term productivity. Research based on evidence of what councils are already doing estimates that such an approach would see a £1.25 billion saving, and cut youth unemployment by 20 per cent in three years (Heseltine, 2012).

The LGA *Whole Place Community Budget Report* finds clear opportunities for better outcomes through the adoption of the principles of community budgets. This was demonstrated through the level and extent of the evidence provided by the pilot sites in the submission of the business cases. Community budgets have the potential to deliver improved outcomes, but substantial and systemic reform to existing delivery models will be required to realise the potential level of benefits See: Whole place community budgets: a review of the potential for aggregation (Ernst & Young, 2013).

Other mainstream studies include (Gemmell, et al., 2009), (Sakata & Akai, 2002, pp. 93-108), (Thiessen, 2003, pp. 237-274), (Thornton, 2007, pp. 64-70), (Jin, et al., 2005, p. 1719–1742), (Blöchliger & Égert, 2013), (LGA / House of Commons, 2016), (ICLGF, 2015), (LGA / RAND, 2015).

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Annex A: Independent research: Beyond Brexit: Securing post EU local growth

1.1. In December 2016, the LGA commissioned Shared Intelligence Ltd to provide independent research under our post-Brexit EU funding work stream. The research had two components: Part 1: case study material to support the case for a successor to regional aid once the UK has left the EU and Part 2: policy recommendation on what this could look like.

1.2. The report '*Beyond Brexit: Securing post EU local growth'*, presented a range of findings based on records of conversations with a number of councils, LEPs and other partners, such as universities and third sector organisations. The feedback demonstrated a balanced view of the current EU funding programme, its benefits and weaknesses and a several consistent recommendations for successor arrangements.

1.3. The case studies in the independent report highlight the clear economic risks that emerges if no successor regional aid type policy is in place at this point. Not having access to this amount of support for a successive funding period would have negative outcomes in terms of job creation, Small Medium Enterprise (SME) support etc.

1.4. In the absence of successor business and employment subsidies, it is clear that key areas of the UK would quickly be disadvantaged in terms of global competition, as it is likely that other comparable regions of the EU would continue to receive targeted EU resources.

1.5. The need for devolution, alongside linking post-Brexit funding in a more simple and flexible way. to communities to ensure that local priorities are at the forefront of programmes were key messages from these conversations.

1.6. There was an overarching view that the recasting of the funding programme provided a historic opportunity for the Government to reorganise local structures and funding mechanisms and do things differently, with a view to achieving greater devolution.

1.7. These conclusions strongly correlate with the LGA's established principles for UK replacement of EU regional aid (See Table 1: Basic principles for successor arrangements for EU regional aid). The full analysis is available on request from brexit@local.gov.uk

Annex B: Manifesto commitments on the future of funding currently sourced from the EU

The Conservative and Unionist Party

"We believe in one nation – in helping every part of our country share in the prosperity and opportunity of our great United Kingdom. Yet there is much to do. Current EU-wide structural funding was designed to tackle disparities but it is expensive to administer and poorly targeted. As we leave the European Union, we must look at how we can better reduce and eliminate these inequalities.

We will use the structural fund money that comes back to the UK following Brexit to create a United Kingdom Shared Prosperity Fund, specifically designed to reduce inequalities between communities across our four nations. The money that is spent will help deliver sustainable, inclusive growth based on our modern industrial strategy. We will consult widely on the design of the fund, including with the devolved administrations, local authorities, businesses and public bodies. The UK Shared Prosperity Fund will be cheap to administer, low in bureaucracy and targeted where it is needed most."

(Conservative Party, 2017, p. 37)

Democratic Unionist Party

"25. Ability to opt-in to EU funds where proven to be cost-effective and add value

26. Continued participation in funding programmes that have been proven to be of benefit and are open to non-EU members e.g. research funding

28. UK wide skills and infrastructure funds should be established to lead with an emphasis on regional specialisations" (Democratic Unionist Party, 2017)

Labour Party

"We will ensure there is no drop in EU Structural Funding as a result of Brexit until the end of the current EU funding round in 2019/20. As part of Labour's plans to rebalance and rebuild the economy, we will ensure that no region or nation of the UK is affected by the withdrawal of EU funding for the remainder of this Parliament. This will also apply to the funding of peace and reconciliation projects in Northern Ireland." (Labour Party, 2017, p. 27)*)*

Liberal Democrat

"We would guarantee to underwrite funding for British partners in EU-funded projects such as Horizon 2020 who would suffer from cancellation of income on Brexit."

"Prosperity is very unevenly spread across the nations and regions of the UK. The prospect of Brexit, including the loss of £8.9 bn of European Structural and Investment Funds, is only likely to make the problems faced by disadvantaged areas worse. Local autonomy with real financial muscle is the only sustainable answer to the regional divide." (Liberal Democrats, 2017, p. 41 & 44)

UKIP

"Coastal towns will have top ranking when it comes to national successor funds to the European Regional Development Fund."

"When we leave the EU, we will regain control of the regional development budget, over £1 bn a year. UKIP will use some of this to boost capacity in UK-based modular homes manufacturing. We will enable the manufacture of modular homes where jobs are needed, and they will be built where homes are needed." (UKIP, 2017, pp. 15-16)

Annex C: List of other EU funding initiatives that are important to councils (non-ESIF) [19]

Funding stream	Total fund amount 2014-20 (EU-wide)	UK share in 2015 (unless otherwise stated)	Description of fund's purpose
Asylum, Migration and Integration Fund (AMIF)	€3.1bn	€370mill (2014–20)	Funds actions that promote the efficient management of migration flows.
City Vitality Sustainability Initiative (CIVITAS)	€200mill	€2-4mill estimated for Aberdeen project (only UK project in 2016–20 phase)	Funds the implementation of ambitious, integrated, sustainable urban transport strategies. CIVITAS also funds the evaluation of these strategies.
Competitiveness of enterprises and SMEs (COSME)	€2.3bn	€0.97mill	Aims to improve SMEs access to finance, access to markets, create better conditions for competitiveness and encourage entrepreneurship.
Connecting Europe Facility (CEF)	€1.9bn	€144.44m	Investing in trans-European networks and infrastructures in the sectors of transport, telecommunications and energy.

[19] Further information on EU funding initiatives that are important to councils is available from LGA publication "*2014-20: A guide to EU funding*" (LGA, 2015)

Consumer programme 2014-20	€189mill	€3.02mill	The consumer programme helps citizens to fully enjoy their consumer rights and to actively participate in the Single Market. The programme focuses on four areas: monitoring and enforcing product safety; consumer information and education; consumer rights and effective redress; and strengthening cross-border enforcement.
Creative Europe	€1.5bn	€32.5mill	Supports the cultural and creative sectors, enabling them to reach new audiences, develop skills for the digital age and safeguard cultural and linguistic diversity.
Education, Training, Youth and Sport (Erasmus +)	€14.77bn	€57.6mill	Erasmus+ aims at boosting skills and employability. The programme will increase the quality and relevance of Europe's education systems by providing funding for the professional development of education and training staff, as well as youth workers, and for cooperation between universities, colleges, schools, enterprises and NGOs.
Employment and Social Innovation Programme (EaSI)	€919mill	€10.39mill	EaSI is a European-level financing instrument that supports employment, social policy and labour mobility in line with the objectives of Europe 2020 (the EU's growth strategy). It aims to promote a high level of quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions.
Environment and climate action (LIFE)	€3.4bn	€52mill	The 'Climate Action' strand covers climate change mitigation; climate change adaptation; and climate governance and information.

Europe for Citizens	€185mill	€21.7mill	Funds promotion of European remembrance, democratic engagement and civic participation.
European Fund for Strategic Investments (EFSI)	Overall budget €33.9bn from EU/ European Investment Bank; €315bn including investor funding	€7.9bn	Provides loans or loan guarantees (not grants) for projects in areas such as: infrastructure, education, research, innovation, renewable energy and energy efficiency.
European Local Energy Assistance (ELENA)	€1.6bn including investment	Not available	Supports councils in preparing and implementing sustainable energy plans for their area.
European Union Programme for Employment and Social Innovation	€919,47mill	€10.3mill	The Employment and Social Innovation Programme supports employment and social policies across the EU. The programme supports member states' efforts in the design and implementation of employment and social reforms at European, national, as well as regional and local levels by means of policy coordination and the identification, analysis and sharing of best practices.

Horizon 2020 Funding Research and Innovation	€79.4bn	€4.98bn	Horizon 2020 is the EU Framework Programme for Research and Innovation for 2014-20. It helps bodies such as universities and research laboratories to leverage additional research, development and innovation funding and contribute to attaining research and development targets. This funding usually takes the form of grants, to part-finance a broad range of research projects. Councils are unlikely to be lead research organisations, but can help with testing activities and citizen feedback on issues such as ICT, environmental projects and new transport technologies. Councils have therefore been part of such EU-funded research projects in the past. UK organisations including Universities have access to up to €80bn between 2014-20 Funding for Research and Innovation. Over the period 2007 - 13, the UK received €8.8 billion in direct EU funding for research, development and innovation activities NOTE: The Treasury will underwrite all successful 2020 bids for Horizon 2020 that are approved by the Commission, even when specific projects continue beyond the departure from the EU. The long-term future of UK participation in European science programmes will be decided as part of the UK's exit negotiations.

Natura 2000	Share of €3.4bn LIFE budget		Funds Special Areas of Conservation (SAC) to protect the EU's most valuable and threatened species and habitats.
Rights, Equality and Citizenship Programme (REC)	€439mill	€12.18mill	Funds the promotion and protection of human rights in the EU.
European Maritime Affairs and Fisheries Fund (EMFF)	€7.4bn	€7.5mill	The **European Maritime and Fisheries Fund** supports the implementation of the CFP with the necessary financial resources. The fund focuses on funding projects that promote a sustainable future for the European fishing industry and coastal communities, with particular focus on the rebuilding of fish stocks, reducing the impact of fisheries on the marine environment and the progressive elimination of wasteful discarding practices.
European Investment Bank (EIB)	In 2015 the EIB lent €84.5bn	EIB investments in the UK economy came to €7.8bn in 2015, the Bank's largest ever engagement in the country. Between 2011 and 2015, the Bank invested over €29bn in the British economy.	EIB provides financial instruments, such as loan and guarantee funds, for large scale investments. The UK Government currently has a 16 per cent shareholding in the Bank.

Joint European Resources for Micro-to-Medium Enterprises (JEREMIE)			An initiative developed together with the European Investment Fund. It promotes the use of financial engineering instruments to improve access to finance for SMEs via Structural Funds interventions.
Joint European Support for Sustainable Investment in City Areas (JESSICA)			An initiative developed in cooperation with the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB). It supports sustainable urban development and regeneration through financial engineering mechanisms.

European Agricultural Guarantee Fund (EAGF) / Common Agricultural Policy (CAP)	CAP funding is worth approximately €28 bn to the UK farming sector and rural areas in the 2014-2020 period.	CAP is a system of agricultural subsidies and programmes covering farming, environmental measures and rural development. CAP direct payments to farmers are known as 'Pillar 1' and are administered in England via DEFRA's 'Basic Payment Scheme' which accounts for around 80% of total payments) In the UK, the Government moves some Pillar 1 funds into Pillar 2, via a budgetary process known as modulation. This helps to ensure sufficient funds are available for agri-environment measures, increasing the productivity of farming and forestry, and growing the rural economy (Pillar 2 of the CAP). Treasury has provided a guarantee to the agricultural sector that it will receive the same level of funding that it would have received under Pillar 1 of CAP until the end of the Multiannual Financial Framework in 2020. (HM Government, 2016) In the June 2017 Queen's Speech, the Government announced an 'Agriculture Bill'. The main element of the Bill are "Measures to ensure that after we leave the EU, and therefore the Common Agricultural Policy, we have an effective system in place to support UK farmers and protect our natural environment." (HM Government(h), 2017)

European Territorial Cooperation programmes	Across Europe, the total budget for these programmes is approximately €9.2 billion, covering 107 programmes. The UK does not participate in all of these programmes, but there are 16 programmes that cover all or parts of the UK. While it is not possible to determine the total amount of funding from these programmer for the UK over the 2014-20 period, EU expenditure and revenue data reveals that €78 million was spent on 'European territorial cooperation' in the UK in 2015. (Parliament UK, 2016).	European Territorial Cooperation programmes, which are sometimes known as Interreg programmes, are designed to promote cooperation between member states on shared challenges and opportunities to support the effective functioning of the single market. INTERREG programmes involving the UK include the €257 million Two Seas Programme, covering England, France, the Netherlands and Belgium (Flanders) and the €396 million North West Europe Programme covering six other Member States and Switzerland. Nine of these involve England, and these are overseen by the Department for Communities and Local Government (DCLG).

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GMCA GREATER MANCHESTER COMBINED AUTHORITY

Date: 29th March 2018

Subject: Brexit Monitor and Spring Statement

Report of: Sir Richard Leese, Portfolio Lead for Business and Economy

PURPOSE OF REPORT

This report updates members on the key economic and policy developments of relevance to Greater Manchester in relation to the UK's decision to leave the European Union (EU).

RECOMMENDATIONS:

Members are asked to:

- Note the contents of the Spring Statement briefing (Appendix 1) and the March Brexit Monitor (Appendix 2)
- Note the content of the GM Brexit impacts report (Appendix 3)

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1. INTRODUCTION

1.1 Following the vote to leave the EU, the GMCA has been monitoring the economic and social trends and policy developments to develop an appropriate policy response. The impact of Brexit is being tracked across the following themes:

- Macro-economy trends and developments;
- Key sectors and business investment;
- Trade, regulation, and access to European Funding;
- Property investment, housing, and planning; and
- Economic inclusion.

2. KEY MESSAGES FROM THE BREXIT MONITOR

2.1 March 8 saw the publication of the Government Brexit analysis material, aiming to quantify the potential impact of leaving the EU on the British economy. The reports suggests that there will be an adverse effect on the economy of the UK and all its regions – with the North West one of the four regions hardest hit under both ‘soft’ and ‘hard’ Brexit scenarios (2 to 12% points lower than baseline). The report also highlights that the degree of impact depends on the outcome achieved in the negotiations, and is likely to be greater in areas more exposed to change in trade barriers by nature of their export composition – and in those with a higher dependence on exports as a proportion of the regional economy.

2.2 Revised figures indicate that UK GDP saw 0.4% growth in the fourth quarter (Oct-Dec) of 2017, down by 0.1 percentage point from preliminary estimates. This continues the same 0.4% rate of growth in Q3 2017. As a result, annual GDP growth was estimated to have slowed to 1.7%, marking not only a decline from the 1.9% recorded in 2016, but the lowest outturn since 2012.

2.3 According to the IHS Markit Regional Purchasing Managers' Index (PMI), business activity continued to grow in January 2018 in the North West, but at a slower pace, with the PMI dropping from a three-year high of 60.7 in December to 57.4 (above 50 = growth). This nevertheless still places the North West as third best performing region in the UK after the East Midlands (58.8) and Northern Ireland (58.7) (England average = 54.0).

2.4 The end of February saw the European Commission publishing the ‘Draft Withdrawal Agreement between the European Union and the United Kingdom’. The draft covers citizens' rights, separation issues such as goods placed on the market before the withdrawal date, financial settlement, transitional arrangements, institutional provisions; and a protocol on Ireland/Northern Ireland. The draft agreement was provisionally agreed by the EU and UK on 19th March 2018 subject to finalisation on issues such as the Irish border. This agreement is still in draft however and will need consent by a majority vote of EU Parliament and then ratification by the UK.

2.5 Shortly after the publication of the draft withdrawal agreement, the Prime Minister made a speech at the Mansion House, outlining the need for future negotiations need to meet five key “foundations”:

- The agreement with the EU will need reciprocal binding commitments to ensure fair and open competition.
- An arbitration mechanism that is completely independent from the EU and UK to resolve disagreements.
- Ongoing dialogue with the EU, and to ensure the means to consult each other regularly, in particular in areas such as regulation.
- Arrangements for data protection that permit the free flow of data, and effective representation in the EU’s new one-stop-shop for disputes.
- Maintaining links between citizens. Whilst the free movement of people will end, the UK must continue to have access to the skills it needs.

2.6 On Tuesday 13 March 2018 the Chancellor of the Exchequer, Philip Hammond, announced that there is ‘light at the end of the tunnel’ in his Spring Statement as the UK economy is growing slightly faster than predicted by the Office for Budget Responsibility in November (1.5% forecasted growth for 2018, up 0.1 ppt from previous forecasts), borrowing is down, and debt will fall as a share of GDP from 2018-19. There were however no new tax or budget spending changes, now included in the Government’s annual Autumn Budget, and public finances look broadly the same. A briefing on the key announcements from the Spring Statement of relevance to Greater Manchester is included as an Annex to this paper.

2.7 Unemployment in GM has seen a 3.7% spike since December 2017, rising by 1,690 to 47,150 people in January 2018 (latest data). This places unemployment at an 8-month high and 1.6% (860) higher than before the referendum result.

3. EU FUNDING BID TO SUPPORT THE LOCAL INDUSTRIAL STRATEGY

3.1 Greater Manchester has been selected by the European Commission as one of the European Industrial Transition Pilot Regions. Ten European regions (all of a similar population size to Greater Manchester) will take part in this new Commission-led pilot.

3.2 These regions and their largest cities include: Cantabria (Santander) in Spain, Centre-Val de Loire (Orleans/Tours), Grand-est (Strasbourg), and Hauts-de-France (Lille) in France, Lithuania (Vilnius), Slovenia (Llubljana), Norra Mellansverige (Gavle) in Sweden, Piemonte (Turin) in Italy, Saxony (Dresden) in Germany, Wallonia (Namur/Charleroi) in Belgium, and East-North Finland (Oulu/Kuopio).

3.3 Each region will receive hands on support from the European Commission and advisory services up to a value of €200,000, including peer learning and foresight activities organised in partnership with the OECD. An additional grant of up to €300,000 will be made to regions in the second year to deliver the strategy, if sufficient progress is demonstrated.

3.4 The Pilot will support GM with the development and implementation of its local industrial strategy. The technical assistance, as well as the other support services, will provide GM with additional knowledge and expertise, as well as additional capacity to help us to develop the strategy.

4. GREATER MANCHESTER BREXIT IMPACTS REPORT

4.1 On 19th March 2018 the Mayor of Greater Manchester gave evidence to the Housing, Communities and Local Government select committee on Brexit and Local Government which met in Manchester.

4.2 To coincide with the select committee hearing, the GMCA released a report summarising analysis which has been undertaken on the potential cost which could be imposed on key sectors of the Greater Manchester economy when the UK leaves the EU. A copy of the report is provided in Appendix 3.

4.3 This report highlights four steps necessary to manage the risks and take advantage of the opportunities from Brexit:

- The potential impact on Greater Manchester’s labour market and supply of skills makes devolution to ensure that the city region’s skills system is more responsive to the needs of employers even more vital. This will need to be a core component of the Local Industrial Strategy, being developed by Greater Manchester in partnership with Government and others, and backed up by the Shared Prosperity Fund. It will need to include the alignment of funding through a post-16 strategic skills plan and the investment through local mechanisms of Apprenticeship Levy which is raised from firms in Greater Manchester but left unspent;
- A full regional analysis – jointly carried out by Greater Manchester and the Government – of the potential impacts of the Government’s scenarios for the future relationship between the UK and EU has become an urgent requirement.;
- Greater Manchester, and the North of England as a whole, should have a voice in negotiations as our new relationship with the EU is agreed. Otherwise, crucial issues around how a new deal impacts on particular places, and the ability to shape new trading relationships to create new opportunities for the city region’s businesses, will be missed; and

- The process of returning powers from the EU must not end at Westminster. A full assessment is needed of which powers can be devolved to city regions following Brexit. Greater Manchester has already begun this assessment.

5. RECOMMENDATIONS

5.1 Recommendations appear at the front of this report.

Appendix 2: **Spring Statement – key points**

Summary
The Spring Statement contained no new tax or spending announcements. Instead, it provided an update on the economic and fiscal outlook for the UK, announced some allocations from existing planned spending, and was used to highlight the progress made since the Autumn Statement and launch a number of consultations. Given that it is not long since the November forecast by the Office for Budget Responsibility, the economy and public finances look broadly the same. Overall, the UK economy is growing at a slightly faster rate than predicted in November, borrowing is down and debt will fall as a share of GDP from 2018-19. Growth will be 1.5% this year, 0.1% higher than forecast in November. In his Statement, the Chancellor spoke of 'light of the end of the tunnel' and said that this year's Autumn Budget will set an overall path for public spending for 2020 and beyond, with a Spending Review confirmed for 2019.

OBR forecasts
The main economic news since November has been the continued strengthening of advanced economies around the world. Growth picked up in most in 2017 – from 1.5 per cent in 2016 to 2.3 per cent in the United States and from 1.8 to 2.5 per cent in the euro area. This is in contrast to the UK where the latest data show real GDP growth slowing from 1.9 per cent in 2016 to 1.7 per cent in 2017 and then growth of 1.5 per cent in 2018, slowing a little more in 2019, then picking up modestly over the subsequent three years.

The UK budget deficit is almost £5bn lower this year than expected, but the downward revisions for future years are smaller. Borrowing in the UK is forecast to continue falling from 2018-19 onwards, with the deficit dropping below 2 per cent of GDP next year and below 1 per cent of GDP in the final year of the forecast. The OBR's central forecast implies that the Government's fiscal mandate – for cyclically adjusted borrowing to lie below 2 per cent of GDP in 2020-21 – would be met by a margin of 0.7 per cent of GDP (or around £15bn), unchanged from their November forecast.

CPI inflation reached 3.1 per cent in November 2017, but the OBR forecast that it will come down to around 2 per cent relatively quickly and that it will remain close to that level.

Wage growth is expected to pick up in the short term, partly on the basis of early indications of stronger growth in pay settlements in 2018. But real earnings growth over the next five years is expected to remain subdued, averaging just 0.7 per cent a year. The OBR expect employment growth to slow over the next five years from the strong rates seen in much of the post-crisis period. The unemployment rate is forecast to rise marginally from 2019.

EU / Brexit
Alongside the Spring Statement, the OBR published its analysis of The EU Financial Settlement. The OBR state that the vote to leave the European Union appears to have slowed the economy, but by less than was expected immediately after the referendum – thanks in part to the willingness of consumers to maintain spending by reducing their saving. Using assumptions consistent with their central economic and fiscal forecasts, the OBR estimate the 'divorce bill' from the EU would cost the UK £37.1 billion, with around 75 per cent falling due within our five-year forecast period.

Spending
The Chancellor committed to setting an overall path for public spending for 2020 and beyond in the Autumn Budget with a Spending Review in 2019. He said that if, in the Autumn, the public finances

continue to reflect the improvements that today's report hints at, he would have capacity to enable further increases in public spending and investment in the years ahead.

Digital connectivity
Autumn Statement 2017 launched a £190 million Challenge Fund to help roll out full-fibre to local areas. Spring Statement 2018 allocates the first wave of funding, providing over £95 million for 13 areas across the UK. Greater Manchester has been awarded £25m from Government to significantly upgrade its digital infrastructure – funding that will help deliver "full fibre" broadband technology across the region, trigger subsequent private sector investment of up to £200m, and pave the way for 5G mobile technology.

Housing
Government confirmed it is working with 44 areas on bids into the £4.1 billion Housing Infrastructure Fund. The Housing Growth Partnership, which provides financial support for small housebuilders, will be more than doubled to £220 million. London will receive £1.67 billion to start building a further 27,000 affordable homes by the end of 2021-22. In addition, Government has confirmed a new £100m deal with the West Midlands to build 215,000 new houses by 2030-31. However, the Chancellor said that the Government will be "concluding housing deals with ambitious authorities who have agreed to deliver above their Local Housing Need".

National living Wage and tax free personal allowance rise
The National Living Wage will rise from April 2018 and national minimum wage rates for under 25s and apprentices will also rise. The tax free personal allowance will rise to £11,850 from April 2018.

Business Rates Revaluation brought forward
Further to the Autumn Statement announcement that business revaluations will take place every 3 years rather than every 5 years, it was confirmed that the next revaluation, currently due in 2022, will be brought forward to 2021. This will enable businesses to benefit from the change to three-year revaluations earlier, with the first taking place in 2024.

Transport in cities
£1.7 billion was announced at Autumn Statement 2017 for improving transport in English cities and half of this was given to Combined Authorities with mayors, including £243m for Greater Manchester. The Spring Statement confirmed that the Government is now inviting bids from cities across England for the remaining £840 million.

Future changes to the tax system
The Government is seeking views on how it can use the tax system to reduce plastic waste, with a consultation document published alongside the Budget. £20m from existing departmental budgets now for businesses and universities to stimulate new thinking on the subject. In addition, the Government has also set out its thinking on how the tax system can change to ensure multinational digital businesses pay a fair share of tax and is seeking views on the future of cash and digital payments.

Skills
The government is seeking views on extending the current tax relief to support self-employed people and employees when they fund their own training, to encourage upskilling and retraining. In addition, £50m was announced to help employers pay for T levels, available from April 2018. Up to £80 million of funding will be released to support small businesses in engaging an apprentice.

Greater Manchester Brexit Monitor

Key economic and policy developments

March 2018

Executive summary

Headlines

- **Whilst Brexit negotiations continue to progress, this comes against the background of continuing mixed signals on the state of the economy. According to revised GDP figures, the UK was estimated to have grown by 0.4% in the fourth quarter (Oct-Dec) of 2017**, down by 0.1 percentage point from preliminary estimates. This continues the same 0.4% rate of growth recorded in Q3 last year. Despite higher growth in economic activity in the last two quarters of 2017, **annual GDP growth was estimated to have slowed to 1.7%**, marking not only a decline from the 1.9% recorded in 2016, but the lowest outturn since 2012. **The figures are echoed in PMI, which show growth in both manufacturing and services, albeit slower growth in the former, and a slight uptick in the latter,** owing to increasing competitive pricing strategies. The recent spell of bad weather is also likely to put pressure on GDP growth as sectors like retail, leisure and construction will have to fight hard amid cancellations to manage cash flow and clear backlogs. However, **the main current worry, for most economic commentators, lies with consumer price inflation and in particular consumers' attitudes to borrowing.** These raise bigger immediate questions for the health of the economy.

- February's **Household Finance Index data revealed an accelerated squeeze on UK household finances**, driven by strong inflationary pressures and the slowest rise in employment income since November, both contributing to **a marked reduction in household's appetite for major purchases**. A point identified in **the recent EY Item Club report which shows consumer spending falling to 1.4% in 201 - from 2.9% in 2016.** In addition, **The end of February saw the European Commission publishing the 'Draft Withdrawal Agreement between the European Union and the United Kingdom'.** The draft outlines the UK's orderly withdrawal from the EU and covers citizens' rights, separation issues such as goods placed on the market before the withdrawal date, the financial settlement, transitional arrangements, institutional provisions; and a protocol on Ireland/Northern Ireland. **The draft agreement was provisionally agreed by the EU and UK on 19th March 2018 subject to finalisation on issues such as the Irish border.** This agreement is still in draft however and will need consent by a majority vote of EU Parliament and then ratification by the UK.

- **Shortly after the publication of the draft withdrawal agreement, the Prime Minister made a speech at the Mansion House, outlining the need for future negotiations need to meet five key "foundations":**

  1. The agreement with the EU will need reciprocal binding commitments to ensure **fair and open competition.**
  2. An **arbitration mechanism that is completely independent from the EU and UK** to resolve disagreements.
  3. **Ongoing dialogue with the EU, and to ensure the means to consult each other regularly**, in particular in areas such as regulation.
  4. **Arrangements for data protection** that permit the free flow of data, and effective representation in the EU's new one-stop-shop for disputes.
  5. **Maintaining links between citizens.** Whilst the free movement of people will end, the UK must continue to have access to the skills it needs.

- **The PM** conceded **that Britain would be affected by its decision to quit the customs union and single market and said that Britain was prepared to mirror high European standards and state-aid rules**. The PM proposed a new customs agreement with the bloc, **stating that the UK did not want to see the introduction of any tariffs or quotas** and **ensure that products only need to have one series of approvals** to ensure the passage of goods in the EU and UK. More details of the Withdrawal Agreement and Prime Minister's Mansion House speech are covered in this Monitor.

- **On Tuesday 13 March 2018 the Chancellor of the Exchequer, Philip Hammond, announced that there is 'light at the end of the tunnel' in his Spring Statement** as the UK economy is growing slightly faster than predicted by the Office for Budget Responsibility in November (1.5% forecasted growth for 2018, up 0.1ppt from previous forecasts), borrowing is down, and debt will fall as a share of GDP from 2018-19. There was however no new tax or budget spending changes, now included in the Government's annual Autumn Budget, and public finances look broadly the same [1]

- **March 8 saw the publication of the Government Brexit analysis material, aiming to quantify the potential impact of leaving the EU on the British economy.** The reports suggests that there will be an adverse effect on the economy of the UK and all its regions – with the North West one of the four regions hardest hit under both a FTA deal, and hard - WTO scenario (-2 to -12% points lower than baseline). The report also highlights that the degree of impact depends on the outcome achieved in the negotiations, and is likely to be greater in areas more exposed to change in trade barriers by nature of their export composition – and in those with a higher dependence on exports as a proportion of the regional economy [2]

Executive summary

Key sectors & business investment

- **Research with Growth Company Business Growth Hub clients in the 3 months to the end of February 2018 shows a continuing rise in uncertainty among businesses,** with 34% of firms unsure what impact Brexit would have on investment plans, and 48% unsure what impact Brexit would have on hiring plans. **This is the fourth consecutive month of rising uncertainty for both measures.**
- According to the **IHS Markit Regional Purchasing Managers' Index** (PMI), business activity continues to grow but at a slower pace in the North West in January 2018, with the PMI dropping from a three-year high of 60.7 in December to 57.4 (above 50 = growth). **This nevertheless still places the North West as third best performing region in the UK after the East Midlands (58.8) and Northern Ireland (58.7) (**England average = 54.0).
- **The IHS Markit/CIPS UK Manufacturing PMI® edged down to 55.2 in February 2018 from January's reading of 55.3, indicating continued but slower growth**. Production increased at the slowest pace for 11 months, with deceleration seen across the consumer, intermediate and investment goods sectors. On the other hand, new orders rose amid stronger domestic demand, and job creation was the second-strongest since mid-2014. **Price pressures for manufacturers remained elevated due to higher cost of commodities and raw materials.**
- **The IHS Markit/CIPS UK Services PMI® rose to 54.5 in February from 53.0 in the previous month. After a weak January, the pick up represented the strongest expansion since October 2017**. Input cost inflation eased to the lowest since August 2016, and prices charged by service sector companies increased at the weakest rate for six months. **These factors were accompanied by firms highlighting efforts to stimulate demand through competitive pricing strategies and the introduction of new promotional initiatives.**

Terms of trade, regulation & access to funding

- **The UK has requested to continue benefitting from the Single Market and Customs Union for a period of "around two years" in response to the European Commission's Draft Withdrawal Agreement.** During this period, (there is disagreement on whether this is up to 31 December 2020 or indefinite), the entire Union acquis will continue to apply to the UK. This means that **the UK would have to comply with the EU's trade policy and would continue to be bound by the Union's exclusive competence, in particular Common Commercial Policy**. As a result, the UK would remain bound, during any transition, by the obligations from all bilateral and multilateral EU-only agreements.

Property investment, housing and planning

- **Housing data from the Land Registry continues to show that the vote to leave the EU has had little impact on house prices,** with average house prices in GM rising by 9.2% on the level recorded in July 2016. This month's Monitor also looks at office space take-up in Manchester. Data from Cushman and Wakfield **on office stock, take-up levels and rents continue to show Manchester (along with Birmingham) as one of the main office markets outside London**. Office take-up in 2017 has remained fairly stable with a slight uptick. In particular, there is good demand for flexible workspace; and a shortage of speculative development in some of the regional centres which has also supported rising rental levels.

Economic inclusion

- **Unemployment in GM has seen a 3.7% spike since December 2017, rising by 1,690 to 47,150 people in January 2018. This places unemployment at an 8-month high and 1.6% (860) higher than before the referendum result.** February data revealed a sharp and accelerated squeeze on UK household finances, driven by strong inflationary pressures and the slowest rise in employment income since last November, both contributing to a marked reduction in household's appetite for major purchases. **The seasonally adjusted Household Finance Index (HFI) – which tracks Britons' sense of financial wellbeing – fell to 42.2 in February**, below January's 42.9 (an index of below 50 signals deterioration). Moreover, December data revealed that inflation expectations reached a 47-month high.

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Macro-economic trends and developments

Macro-economy

- **UK GDP was estimated to have grown by 0.4% in the fourth quarter (Oct-Dec) of 2017**, revised down by 0.1 percentage point from preliminary estimates, reflecting a small downward revision to the estimated output of the production industries. This continues the same 0.4% rate of growth recorded in Q3.
- The services sector – driven by business services and finance – grew by 0.6% in Q4, while production industries also grew by 0.6%, boosted by a second consecutive quarter of strong growth in manufacturing. However, this was offset by a decline in construction activity, as construction contracted for the third quarter in a row.
- Despite higher growth in economic activity in the last two quarters of 2017, **annual GDP growth was estimated to have slowed to 1.7%**, marking not only a decline from the 1.9% recorded in 2016, but the lowest outturn since 2012.(3)
- **The total UK trade (goods and services) deficit widened by £3.8 billion to £10.8 billion in the three months to December 2017**; excluding erratic commodities, the total deficit narrowed by £1.5 billion to £9.0 billion. This widening of the total trade deficit was driven mainly by a widening of the trade in goods deficit, which came as a result of increase in imports from non-EU countries, alongside decreases in exports to the EU.(4)
- **EU trade: The UK was a net importer from the EU in December 2017, with imports exceeding exports by £7.1 billion.** EU Exports for December 2017 were £13.3 billion, a decrease of £1.5 billion (10%) compared with November 2017, and an increase of £1.2 billion (10%) compared with 12 months ago. EU Imports for December 2017 were £20.5 billion, a decrease of £2.6 billion (11%) compared with November 2017, and an increase of £0.7 billion (3%) compared with a year ago.
- **Non-EU trade: The UK was a net importer in December 2017, with imports exceeding exports by £2.4 billion**. Non-EU Exports for December 2017 were £16.3 billion, an increase of £1.1 billion (7%) compared with November 2017, and a decrease of £3.0 billion (15%) compared with a year ago. Non-EU Imports for December 2017 were £18.7 billion, a decrease of £1.8 billion (9%) compared with November 2017, but an increase of £0.6 billion (3%) compared with a year ago.(5)

Consumer sentiment

- **The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 2.7% in January 2017, unchanged from 2.8% in December 2017**. Following a steady increase from late 2015, since April 2017 the CPIH rate has levelled off, ranging between 2.6% and 2.8%.(6)
- **The volume (not value) of retail sales grew marginally by 0.1% in January 2018 compared to December 2017, but rose by 1.6% compared with January 2017**. The underlying pattern in the retail industry in January 2018 – as suggested by the three-month on three-month measure – remains one of slow growth, with the quantity bought increasing by 0.1%. However, this is the **weakest recorded growth since April 2017**.(7)

Key sectors & business investment

Business Investment

- **Research with Growth Company Business Growth Hub clients in the 3 months to the end of February 2018 shows a continuing rise in uncertainty among businesses, with 34% of firms unsure what impact Brexit would have on investment plans,** up from 28% in Nov '17 - Jan '18 and 22% in Oct-Dec '17. This marks the fourth consecutive month of rising uncertainty in investment plans. 54% said they expected their investment plans to remain unchanged (Nov-Jan 54%; Oct-Dec 63%), 5% were likely to increase investment (Nov-Jan 6%; Oct-Dec 3%), 2% said investment plans were on hold (Nov-Jan 2%; Oct-Dec 2%), and 3% envisaged decreasing investment (Nov-Jan 4%; Oct-Dec 3%). 2% declined to answer.
- **There was a similar increase in uncertainty among Growth Hub clients' hiring plans, with 48% of firms responding in the 3 months to the end of February 2018 that they were unsure what impact Brexit would have,** up significantly from 37% in Nov '17 - Jan '18 and 25% in Oct-Dec '17, marking a fourth consecutive month of rising uncertainty in hiring plans. 48% said they would continue hiring at the same pace (Nov-Jan 52%, Oct-Dec 58%), 1% of firms reported that they would hire at a decreased pace (Nov-Jan 1%; Oct-Dec 2%), 1% would freeze hiring (Nov-Jan 3%; Oct-Dec 4%), less than 1% would be making redundancies (Nov-Jan <1%; Oct-Dec <1%), and <1% said that they would increase hiring (Nov-Jan <1%; Oct-Dec 3%).[8]
- According to the **IHS Markit Regional Purchasing Managers' Index** (PMI), business activity continues to grow but at a slower pace in the North West in January 2018, with the PMI dropping from a three-year high of 60.7 in December to 57.4 (above 50 = growth). **This nevertheless still places the North West as third best performing region in the UK after the East Midlands (58.8) and Northern Ireland (58.7) (**England average = 54.0).**The North West saw the strongest rise in private sector employment in January along with the East of England,** however also felt increasing inflationary pressures, seeing the steepest rise in average prices charged for goods and services after Wales.[9]

CIPS Manufacturing PMI to end January 2018

- **The IHS Markit/CIPS UK Manufacturing PMI® edged down to 55.2 in February 2018 from January's reading of 55.3, indicating continued but slower growth.** Production increased at the slowest pace for 11 months, with deceleration seen across the consumer, intermediate and investment goods sectors. On the other hand, new orders rose more amid a strength in domestic demand and job creation was the second-strongest since mid-2014. Price pressures for manufacturers remained elevated due to higher cost of commodities and raw materials.[10]

CIPS Services PMI to end January 2018

- **The IHS Markit/CIPS UK Services PMI® rose to 54.5 in February from 53.0 in the previous month. After a weak January, the pick up represented the strongest expansion since October 2017.** Input cost inflation eased to the lowest since August 2016, and prices charged by service sector companies increased at the weakest rate for six months, this was accompanied by firms highlighting efforts to stimulate demand through competitive pricing strategies and new promotional initiatives.[11]

Trade, regulation and access to funding

- **The end of February saw the European Commission publishing the Draft Withdrawal Agreement between the European Union and the United Kingdom.** The draft outlines the UK's orderly withdrawal from the EU and including introductory provisions, citizens' rights, other separation issues such as goods placed on the market before the withdrawal date, the financial settlement, transitional arrangements, and institutional provisions[12] **The majority of the terms of the draft were provisionally agreed by the EU and UK on 19th March 2018, subject to finalisation on issues such as the Irish border.** This agreement is still in draft however and will need consent by a majority vote of EU Parliament and then ratification by the UK. [13]

- Shortly after, at the beginning of March, **The Prime Minister made her speech at the Mansion House setting out a series of key issues – and 5 key tests for the future economic partnership** - to help advance the second phase of Brexit negotiations.[14] **The Prime Minister said Britain was prepared to mirror high European standards and state-aid rules**, admitting that European Court rulings would "continue to affect us", and proposed a new customs agreement with the bloc; and **conceded that Britain would be affected by its decision to quit the customs union and single market –** identifying that there will be trade-offs and compromises that the government will have to make as it tries to forge a deal with the EU. The speech received a positive response from Michel Barnier, the EU's chief Brexit negotiator, who praised it for its "clarity".[15]

Prime Ministers Mansion House Speech (2 March 2018)

- Following on from the Lancaster House Speech from last year[16], where the Prime Minister said that the UK would be outside the EU single market and also likely the customs union, she **reiterated that the UK would leave the single market**, but would not let that departure set back progress in Northern Ireland, nor allow anything to damage the integrity of the Union. The speech also outlined the need to resolve tensions between the key objectives for the exit, including the desire to have freedom to negotiate trade agreements with other countries around the world, the need for "as frictionless a border as possible with the EU"; and that future negotiations need to meet five key "foundations":
    1. **The agreement with the EU will need reciprocal binding commitments to ensure fair and open competition.**
    2. **An arbitration mechanism that is completely independent from the EU and UK to resolve disagreements.**
    3. **Ongoing dialogue with the EU, and to ensure the means to consult each other regularly**.
    4. **Arrangements for data protection that permit free flow of data, and effective representation in the EU's one-stop-shop for disputes.**
    5. **Maintaining links between citizens. Whilst the free movement of people will end, the UK must have access to the skills it needs.**
- Theresa May stated that there was a commitment to remaining part of some EU regulatory agencies (e.g. chemicals, aviation, medicine), but that **there would need to be compromises to minimise risks to the economy**. Here she suggested two main options for customs arrangements:
    - **Option one: "Customs Partnership",** at the border, the UK would mirror the EU's requirements for imports from the rest of the world, applying the same tariffs and the same rules of origin as the EU for those goods arriving in the UK and intended for the EU.
    - **Option two: "Streamlined Customs Arrangement",** where the UK and EU jointly agree a range of measures to minimise frictions to trade, together with specific provisions for Northern Ireland. This would rely on technological solutions to minimise 'friction' in supply chains.

- **The PM also stated the UK did not want to see the introduction of any tariffs or quotas,** and to **ensure that products only need to have one series of approvals** to ensure the passage of goods across the EU and UK. **The Prime Minister showed flexibility over a role for the European Court of Justice, and signalled the UK's willingness to align competition rules with the EU**. However, the speech also stated the need for "mutual recognition", suggesting an openness to maintaining similar standards in goods regulation, but adding that **Britain would demand the right to diverge**.

- There was also **special notes on: Financial Services** (not pass-porting, but a "comprehensive partnership" evolved), **Broadcasting** (where a company based in the UK can be licenced by Ofcom and broadcast into any EU member state and vice versa), the need to secure **a broad energy co-operation with the EU,** including exploring options for the UK's continued participation in the EU's internal energy market; and the commitment from the UK to establishing **a far-reaching science and innovation pact with the EU, facilitating the exchange of ideas and researchers.**

Trade, regulation and access to funding

The Draft Withdrawal Agreement (First published 28 February 2018 - Provisionally agreed 19 March 2018)[13]

- **The draft agreement will be discussed by the European Council (Article 50) and with the Brexit Steering Group of the European Parliament before being transmitted to the UK for negotiation**. **The content is based on the December joint report, translating commitments into legal text.** A final version of the Withdrawal Agreement should be agreed by the EU and the UK by **October 2018** to allow for the timely ratification by the European Parliament, the Council, and the UK, according to its own constitutional requirement. The main headline issues in the Draft Agreement – and key issues/questions arising - are included below. **Please note these are based on EU guidance notes accompanying the non-agreed Feb draft** [17]

- **Consent and ratification?**
  The European Parliament must give its consent to the draft, by a vote of simple majority, including Members of the European Parliament from the UK. The Council will conclude the agreement, acting by a qualified majority representing 72% of the 27 Member States (20 States representing 65% of the EU27 population). **The UK must ratify the agreement according to its own constitutional arrangements.**

- **When will negotiations on the future relationship begin?**
  The European Council (Article 50) of 15 December 2017 stated that while an agreement on **a future relationship can only be finalised and concluded once the United Kingdom has become a third country**, the EU will be ready to engage in preparatory discussions with the aim of understanding of the overall framework for the future relationship - once guidelines are adopted.

- **What rights will citizens have during the transition period?**
  The provisions of the draft Withdrawal Agreement on citizens' rights will apply as of the end of any transitional period. Given that the whole of the EU acquis (law) should continue to apply during the transition period, the EU's position is that all EU citizens arriving in the host State during this period should have exactly the same rights as EU citizens who arrived before the UK's withdrawal. After the end of the transition period, those **EU citizens, and UK citizens who arrive in a Member State after withdrawal, but before the end of the transition period, - according to the draft - should be covered by the personal scope of the Agreement.** With regard to **the rights of British living in Europe,** the draft suggests rights will apply only in the country where they live, and after Brexit they will lose the right to further free movement.

- **Will there be a hard border in Ireland?**
  The draft Agreement is based on the Joint Report of 8 December 2017 which the UK stated its commitment to avoid a hard border, including any physical infrastructure or related checks and controls, and its respect for Ireland's rights and obligations as an EU member.[14] All three options from the December Joint Report remain on the table, however two of the three options can only be made operational in the context of discussions on the future relationship - therefore **the current draft contains a suggested Protocol which sets out how the UK maintains full alignment with those rules of the Internal Market and the Customs Union which, now or in the future, support North-South cooperation**.

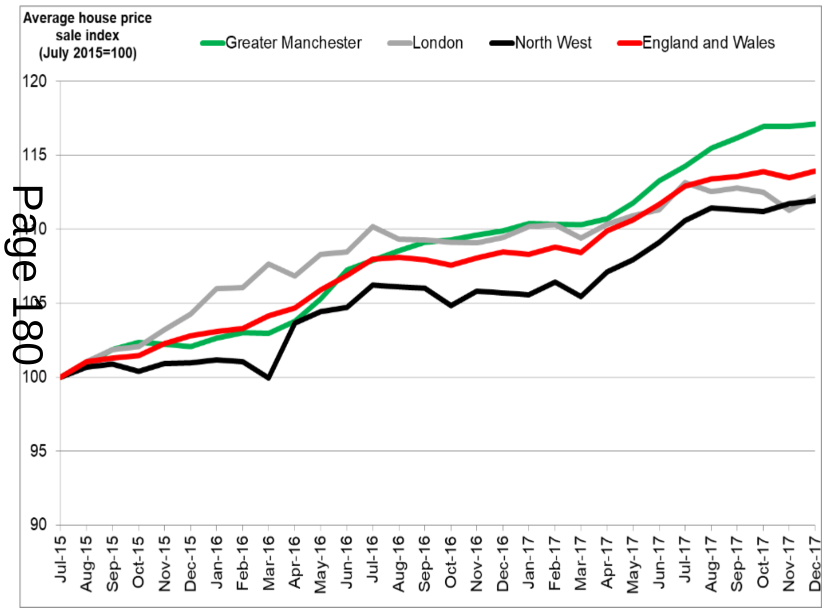
- **What does the Withdrawal Agreement say on the financial settlement?**
  The draft Withdrawal Agreement reflects the December Joint report and contains terms of the financial settlement and includes certain practical modalities, such as payment deadlines, as proposed by the Commission**. This includes the UK and the EU honouring their share of the financing of all the obligations undertaken while the UK was a member of the Union – and during any agreed transition period**.

- **Can the UK negotiate and sign new trade deals with third countries during the transition period?**
  The UK has requested to continue benefitting from the Single Market and Customs Union for a period of "around two years." During this period, (there is disagreement on whether this is up to 31 December 2020 or indefinite), the entire Union acquis will continue to apply to the UK. This means that **the UK will have to comply with the EU's trade policy and will continue to be bound by the Union's exclusive competence, in particular Common Commercial Policy**. As a result, the UK will remain bound, during transition, by the obligations from all bilateral and multilateral EU-only agreements.

Property and investment, housing, and planning

- **Housing data from the Land Registry continues to show that the vote to leave the EU has had little impact on house prices,** with average house prices in GM rising by 9.2% on the level recorded in July 2016.
- **Data on office stock, take-up levels and rents continue to show Manchester (along with Birmingham) as one of the main office markets outside London**. Take-up in 2017 has remained fairly stable with a slight uptick. In particular, there is good demand for flexible workspace; and a shortage of speculative development in some of the regional centres has supported rising rental levels.

Average House Prices Sales (Index July 2015=100)



- **Housing Index** data from the Land Registry suggest the vote to leave the EU continues to have little impact on house prices, with moderate growth in average residential prices this period.
- **The latest house price data (December 2017) for GM reveals an average price of £163,270**, a marginal increase of 0.1% from the previous month, and growth of 6.6% from December 2016.[18]

Office Space – Manchester and major cities

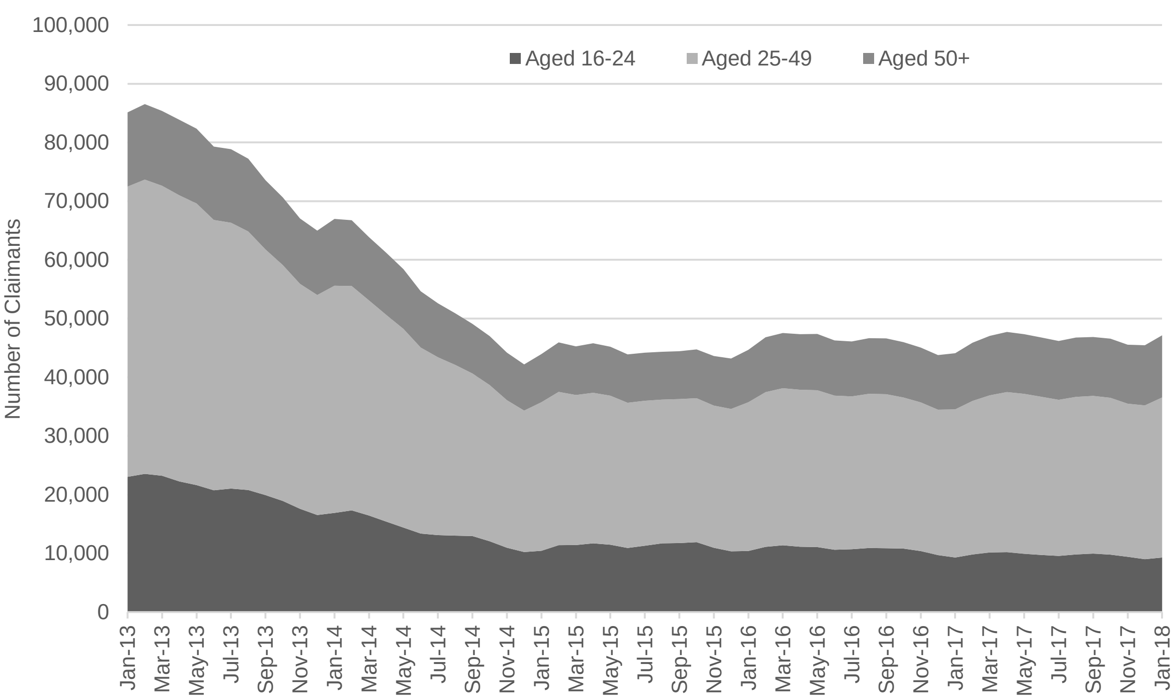
Location (City Centres)	Built Stock (Sqft)	Vacancy Rate (%)	Take-up Year-to-date (Sqft)	Under construc-tion (Sqft)	Prime Rents (Dec'17) (£/Sqft)
London (City)	137.9m	5.1%	6.6m	8.6m	£67.5
Birmingham	18.7m	7.2%	1.0m	1.6m	£33.0
Bristol	13.5m	3.5%	0.6m	0.2m	£32.5
Cardiff	9.5m	6.3%	0.6m	0.6m	£25.0
Edinburgh	11.9m	4.9%	0.7m	0.4m	£33.5
Glasgow	13.9m	13.6%	0.6m	0.2m	£29.5
Leeds	12.5m	10.1%	1.0m	0.1m	£30.0
Manchester	**20.1m**	**14.1%**	**1.2m**	**0.9m**	**£33.5**
Newcastle	8.1m	8.0%	0.2m	0.1m	£23.5
Regional Centres	108.1m	8.9%	5.9m	4.0m	£30.1

- This month's Monitor looks at office space take-up in Manchester compared with other major centres using data from Cushman and Wakefield. The Central London leasing market posted another strong quarter. In the regions, **take-up levels continued to rise, with Birmingham and Manchester leading the highest levels of take-up outside London.**[19]
- As with London, **the flexible workplace sector was a key taker of space in the year, particularly in Birmingham, the Thames Valley and Manchester.** A shortage of speculative development is supporting rental levels and further rental growth was evident over the final quarter of 2017 in some of the key centre markets.

Economic Inclusion

- **Unemployment in GM has seen a 3.7% spike since December 2017, rising by 1,690 to 47,150 people in January 2018. This places unemployment at an 8-month high and 1.6% (860) higher than before the referendum result.** However, unemployment as a proportion of the working age population remains unchanged compared to June 2016 at 2.6%. Compared to the same month last year, however, unemployment as a proportion of the working age population is marginally higher, increasing from 2.5% in January 2017. This is in line with national trends across the UK, where unemployment has risen from 1.9% in January 2017 to 2.0% in January 2018, however is a slightly smaller change than across the North West, where unemployment has risen from 2.3% in January 2017 to 2.5% in January 2017.(20)
- **February data revealed a sharp and accelerated squeeze on UK household finances, driven by strong inflationary pressures and the slowest rise in employment income since last November,** both contributing to a marked reduction in household's appetite for major purchases. **The seasonally adjusted Household Finance Index (HFI) – which tracks Britons' sense of financial wellbeing – fell to 42.2 in February**, below January's 42.9 (an index of below 50 signals deterioration). Moreover, December data revealed that inflation expectations reached a 47-month high.(21)

Claimant count (JSA and out-of-work UC) in GM by age group



Monthly Unemployment by age of resident

- As a proportion of working age residents, the **GM claimant rate for January 2018 (2.6%) remains above that of the North West (2.5%) and the UK (2.0%)**.
- **From December 2017 to January 2018, the total claimant count in GM for all age groups grew. For the 16 to 24 age group it grew by 3.1% (280),** for the 25 to 49 age group by 4.1% (1,070), and for the 50+ age group by 3.3% (240).
- Total claimant count grew by 3.7% (1,690) between December 2017 and January 2018.
- **Since the referendum result in June 2016, the number of claimants aged 50+ has increased by 12.6%** (1,185), although the number of claimants aged 16 to 24 has decreased by 12.5% (1,325). The number of claimants aged 25-49 has risen by 3.8% (1,010).

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GMCA GREATER MANCHESTER COMBINED AUTHORITY

Brexit and Greater Manchester

Summary

- **Devolution to Greater Manchester over recent years has started to put the city region in a stronger position to raise productivity and ensure that all communities can contribute to, and benefit from, growth.** The refreshed Greater Manchester Strategy has set out the ambition and priorities for the city region and Greater Manchester already has a wide network of global relationships, encouraging exports and investment.

- This progress need to be built on to ensure that Greater Manchester firms and labour market are able to absorb the disruption caused by Brexit and take advantage of any opportunities.

- **Greater Manchester, and the North of England as a whole, should have a voice in negotiations as our new relationship with the EU is agreed.** Otherwise, crucial issues around how a new deal impacts on particular places, and the ability to shape new trading relationships to create new opportunities for the city region's businesses, will be missed.

- There has been some assessment of the potential overall impacts of Brexit on the North West of England with virtually all assessments agreeing that those impacts are negative.

- However, this type of headline assessment does not reveal the potential impacts on firms and sectors – and the spatial implications which they drive. There has been little analysis of the potential impacts on the trading patterns and labour market of Greater Manchester from different potential scenarios.

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- **The city region's trade is more reliant on trade with the EU than other parts of the UK,** with the EU accounting for 58 per cent of goods exports from Greater Manchester firms – compared with 42 per cent for England as a whole. Headline export figures also fail to capture the supply chains which are within the city region for exporting firms in other parts of the UK.

- The analysis in this paper explores sector and firm effects further by focusing on three areas where Greater Manchester firms and sectors could be exposed:

  i. **The potential impact of non-tariff barriers on trade** by Greater Manchester sectors, where the Government's assessment of the size of the non-tariff barriers can then be applied to goods exports by Greater Manchester sectors. This approach finds that the additional costs from an increase in non-tariff barriers would be £170m per annum for a deal similar to the European Economic Area, £320m for a deal similar to the average Free Trade Agreement or £380m if there were no deal and the UK were to then trade under World Trade Organisation rules. While the impact on services is impossible to quantify from current data sources, it is clear that the actual impact for Greater Manchester firms and sectors would be significantly higher overall than the calculations for goods exports set out here.

  ii. **The potential impact of tariff barriers on trade** by Greater Manchester sectors, where an illustrative 'no deal' scenario to identify the parts of the economy more exposed to risks from the introduction of World Trade Organisation 'Most Favoured Nation' trade rules. This would lead to an average tariff rate of just under 5 per cent across all good, at a cost of up to £150m per annum for Greater Manchester exporters. Again, the impact on service exporters means that the overall impact across Greater Manchester's economy would be higher.

  iii. **The potential impact on the Greater Manchester labour market and access to skills** for employers where it is possible to identify the sectors which are most at risk from a reduction in access to EU workers and consequent skills shortages. They are Distribution, Hotels, and Restaurants, where 26,000 workers are EU nationals; Banking and Finance, where there are 14,000; Manufacturing, where there are 13,000; and Public Admin, Education, and Health, where there are 12,000.

- **There are also likely to be implications for the movement of capital – and therefore for investment in Greater Manchester.** Surveys of Greater Manchester businesses, show there is increasing uncertainty with 27 per cent of firms saying they were unsure what impact Brexit would have on investment plans – the highest level since the survey was launched in July 2016.

- This analysis points to four steps necessary to manage the risks and take advantage of the opportunities from Brexit:

  i. The potential impact on Greater Manchester's labour market and supply of skills makes devolution to ensure that the city region's skills system is more responsive to the needs of employers even more vital. This will need to be a core component of the Local Industrial Strategy, being developed by Greater Manchester in partnership with Government and others, and backed up by the Shared Prosperity Fund. It will need to include the alignment of funding through a post-16 strategic skills plan and the investment through local mechanisms of Apprenticeship Levy which is raised from firms in Greater Manchester but left unspent;

  ii. A full regional analysis – jointly carried out by Greater Manchester and the Government – of the potential impacts of the Government's scenarios for the future relationship between the UK and EU has become an urgent requirement. The sector mix and structure of the economy in Greater Manchester and the wider North is different from other parts of the UK;

  iii. Greater Manchester, and the North of England as a whole, should have a voice in negotiations as our new relationship with the EU is agreed. Otherwise, crucial issues around how a new deal impacts on particular places, and the ability to shape new trading relationships to create new opportunities for the city region's businesses, will be missed; and

  iv. The process of returning powers from the EU must not end at Westminster. A full assessment is needed of which powers can be devolved to city regions following Brexit. Greater Manchester has already begun this assessment, drawing on the experience of the Scottish Government and other devolved authorities.

1 Introduction

1.1 Devolution to Greater Manchester has started to put the city region in a stronger position to raise productivity and ensure that all communities can contribute to, and benefit from, growth. Barriers to investment have been removed, a comprehensive system of business support has been developed, and reform of the skills system has begun. A Spatial Framework is being developed, investment is going into the transport network, employment support schemes have outperformed national equivalents, and the unique integration of health and social care is supporting the city region's workforce. Most importantly, as decisions start to be made locally, all of these areas can be joined up to deliver the ambitions and priorities of the refreshed Greater Manchester Strategy. While there is still a long way to go before the full potential of devolution is achieved, progress has been made.

1.2 The UK's exit from the EU will have significant implications for the Greater Manchester economy – risks from disrupting long-standing trading relationships, alongside the potential opportunities if new trade deals are secured. Those risks arise from both process of transition as the UK leaves the EU and from any new deal which is agreed with the EU if it creates barriers to trade and restricts access to the skills which the Greater Manchester economy needs.

1.3 Greater Manchester, and the North of England as a whole, should have a voice in negotiations as our new relationship with the EU is agreed. Otherwise, crucial issues around how a new deal impacts on particular places, and the ability to shape new trading relationships to create new opportunities for the city region's businesses, will be missed. The sector mix and structure of the economy in Greater Manchester and the wider North is different from other parts of the UK. A deal which protects some sectors at the expense of others could therefore significantly harm Greater Manchester.

1.4 The Government's own economic analysis of the impact of Brexit has shown how the regional impacts of different Brexit scenarios can vary. Under the Government's forecasts, UK GDP is forecast to be 1.5 per cent lower over 15 years if the UK remains a member of the EU's single market, 5 per cent lower if a free trade deal is agreed and 8 per cent lower if the UK leaves the EU without a deal and reverts to World Trade Organisation terms. But the equivalent figures are 2.5 per cent, 8 per cent and 12 per cent for the North West of England, and 3.5 per cent, 11 per cent and 16 per cent for the North East.

1.5 The analysis in this report, assessing some of the implications of Brexit for Greater Manchester's economy, its sectors and firms, shows why that voice in negotiations is so important. It also points to the potential for further devolution of powers to city regions through the Brexit process, and the need for the Shared Prosperity Fund – the future mechanism for regional investment which currently takes place through the EU – to reinforce and not undermine the progress which has been made through the devolution process.

1.6 The next section summarises the ongoing process of monitoring the impact of Brexit which is being carried out by Greater Manchester, and some of the most recent findings. Section 3 sets out the city region's response to Brexit so far. Sections 4 and 5 summarise the approach to assessing the potential impacts on Greater Manchester's firms and sectors, and the main findings from that analysis. The final section sets out the preparations needed to support those firms and sectors through the Brexit process.

2 Monitoring the impact of Brexit

2.1 New Economy Manchester, and now the Greater Manchester Combined Authority (GMCA), have been working with businesses to monitor the impacts of Brexit since the June 2016 referendum. Monthly monitors have been produced and are published monthly.[1]

2.2 As well as monitoring the developments in the negotiations between the UK and EU, and the latest economic data, the Monitors draw on local intelligence from Greater Manchester's businesses about how they are responding. The latest findings include:

- Research with Greater Manchester Business Growth Hub clients in the 3 months to the end of January 2018 shows that 57 per cent of firms expected their investment plans to remain the same following the EU referendum result, a figure similar to recent previous 3-month periods. However, latest data revealed an increase in uncertainty, with 27 per cent of firms saying they were unsure what impact Brexit would have on investment plans – the highest level since the survey was launched in July 2016.

- Research with Growth Company Business Growth Hub clients in the 3 months to the end of January 2018 shows that 56 per cent of firms expected their hiring plans to remain the same following the EU referendum result, but firms appeared to become increasingly uncertain about their hiring plans. Latest figures have revealed an increase in the proportion of firms who are unsure what impact Brexit would have on hiring plans, from 26 per cent in Oct-Dec 17 to 33 per cent in Nov 17-Jan 18 – a record high.

2.3 Interviews carried out by the GMCA with large employers in the city region have also identified some of their priorities for the Brexit negotiations. They have been: concerns about customs delays causing additional friction in supply chains, particularly if Rules of Origin become onerous; the potential impacts on cash flows of any changes to VAT rules; firms' ability to attract and retain talent; and the potential divergence of regulations and barriers that would cause to trade. They are also looking at opportunities from the potential reshoring of some supply chains in the UK.

2.4 This process of monitoring and ongoing dialogue with businesses and other employers has informed Greater Manchester's response to Brexit.

1 Available at www.greatermanchester-ca.gov.uk/download/meetings/id/2875/10a_brexit_monthly_monitor.

3 Greater Manchester's response to Brexit

3.1 Devolution to Greater Manchester over recent years has started to put the city region in a stronger position to raise productivity and ensure that all communities can contribute to, and benefit from, growth. This progress needs to be built on to ensure that Greater Manchester firms and labour market are able to absorb the disruption caused Brexit and take advantage of any opportunities.

3.2 Greater Manchester already has a wide network of global relationships, encouraging exports and investment. A new Internationalisation Strategy was published in July 2017 to extend and deepen trading relationships while the Business Growth Hub is increasing the number of firms who export – with associated productivity benefits. Innovations such as the GM-China Forum and the new Manchester-India Partnership mean that the city region is well-placed to benefit from new trading links with large high-growth economies.

3.3 Steps are also being taken, as set out in the Greater Manchester Strategy, to strengthen growth and reform services in the city region. These should help to mitigate the impact of Brexit, as far as possible, and ensure any opportunities are grasped. For example, where firms have traditionally filled skilled gaps through migration, they will have a stronger incentive to raise skills in the UK and the Greater Manchester skills system will need to respond. Where powers are returned from the EU, there will be opportunities for further devolution, joining up powers in functional economic areas to raise productivity. The disruption of supply chains across borders could also create opportunities for local firms.

3.4 The Local Industrial Strategy which Greater Manchester is developing in partnership with Government, businesses and other residents will therefore be a key aspect of Greater Manchester's response. This Strategy will be published in Spring 2019 and will address the Grand Challenges set out in the National Industrial Strategy: Artificial Intelligence & Data Economy; Clean Growth; Future of Mobility; and An Ageing Society.

3.5 For this response to be fully effective, it needs to be based on a proper assessment of the potential impacts of Brexit, exploring the implications for firms and sectors in Greater Manchester – and the wider North of England – of potential Brexit deals.

4 Greater Manchester's approach to assessment

4.1 Raising productivity in Greater Manchester can make the city region's economy better prepared for the transition of the UK out of the EU, and the disruption and potential shocks that may bring. However, for individual firms and sectors, the shape of the future trading relationship between the UK and EU – and the regulatory and other requirements that will bring – will be crucial for maintaining their competitiveness and growth.

4.2 While the trade-offs and compromises between different scenarios for the future UK-EU relationship are becoming clearer, the exact model which that relationship will take is still far from certain. There has been some assessment of the potential overall impacts of Brexit on the North West of England. For example, the Greater Manchester Forecasting Model, produced by Oxford Economics, in its most recent analysis (2017) forecast slower growth for the city region than the forecast carried out before the EU referendum (the 2015 forecast), with the lower growth driven by the impacts of Brexit and a wider slow-down in productivity. This was in line with other forecasters and some other regional forecasts are set out in the box.

4.3 However, this type of headline assessment does not reveal the potential impacts on firms and sectors – and the spatial implications which they drive. There has been little analysis of the potential impacts on the trading patterns and labour market of Greater Manchester from different potential scenarios. A deeper assessment of the implications of Brexit for Greater Manchester is required.

4.4 Greater Manchester has offered to work with Central Government to produce this, but no collaborative work has yet been done. Greater Manchester therefore has a responsibility to carry out that assessment and the headline findings are set out here.

4.5 Greater Manchester's firms are greatly exposed to any disruption of established trading relationships with the EU. The city region's trade is more reliant on trade with the EU than other parts of the UK, with the EU accounting for 58 per cent of goods exports from Greater Manchester firms in the latest available data – a greater reliance on the EU as an export market than the average for England as a whole (42 per cent).

4.6 Headline export figures also fail to capture the supply chains which are within the city region for exporting firms in other parts of the UK. Barriers to trade are likely to have a significant impact on these supply chains, and on some firms who may not be aware that they are in the supply chains for exporters given that they may be several tiers below the primary exporter. While the surveys of Greater Manchester firms and in depth interviews may pick up some of these effects, they do not give a comprehensive view.

Assessments of the Potential Regional Impacts of Brexit

Virtually all assessments of the regional economic impacts of Brexit agree that those impacts are negative. However, there is some disagreement about whether Greater Manchester and the wider North are likely to be hit harder, or less hard, than other parts of the UK.

The Government's own economic analysis forecast that UK GDP would be 1.5 per cent lower over 15 years if the UK remains a member of the EU's single market, 5 per cent lower if a free trade deal is agreed and 8 per cent lower if the UK leaves the EU without a deal and reverts to World Trade Organisation terms. But the equivalent figures are 2.5 per cent, 8 per cent and 12 per cent for the North West of England, and 3.5 per cent, 11 per cent and 16 per cent for the North East.

Research carried out by academics as part of the ESRC project on 'The Economic Impacts of Brexit on the UK, its Regions, its Cities and its Sectors' is consistent with the Government's analysis, finding that "it is the Midlands and the North of England which are by far the most vulnerable. They are more exposed to Brexit than any other region in Europe. The reason is that the Midlands and north of England are much more dependent on EU markets for their trade than London, the South-East or Scotland".[i] This conclusion is based on using global input-output tables to link trade to value added to bring out the link between local value-added and trade which is obscured when looking at simple measures of gross exports and imports.[ii]

The assessment carried out by Cambridge Econometrics for the Greater London Authority also found a larger impact on the rest of the UK than on London.[iii] They concluded that the impacts on employment and population would be slightly smaller in the rest of the UK, as much of the reduction in migration and population is expected to be in London. But, "the losses in GVA and productivity across all scenarios (compared to what may have happened if the UK remained in the Single Market and Customs Union) are noticeably more severe for the rest of the UK than for London, which implies that the rest of the UK will be much worse off than London following Brexit".

However, a study by the Centre for Economic Performance at the London School of Economics & Political Science, concluded that areas in London and South East would tend to see bigger negative impacts, due to larger impacts from non-tariff barriers than found in other forecasts and because looking at trade exposure ignores the willingness of individuals and firms to substitute away from foreign to domestic supply as trade-costs rise.[iv] Overall, their conclusion was that urban areas would be hardest hit, consistent with the fact that urban areas have their employment concentrated in the sectors that are predicted to be most negatively affected.

i Raquel Ortega-Argiles and Philip McCann, How Brexit will hit different UK regions and industries, February 2018.
ii Wen Chen, Bart Los, Philip McCann, Raquel Ortega-Argilés, Mark Thissen, Frank van Oort, The continental divide? Economic exposure
to Brexit in regions and countries on both sides of The Channel, October 2017.
iii Greater London Authority, Preparing for Brexit, Cambridge Econometrics, January 2018.
iv Swati Dhingra, Stephen Machin, and Henry G. Overman, The Local Economic Effects

4.7 The assessment carried out by academics as part of the ESRC project on 'The Economic Impacts of Brexit on the UK, its Regions, its Cities and its Sectors' has calculated the extent of regional exposures brought about by such impacts on supply chains. This split gross exports into domestic value added and foreign value added based on global input-output tables. By calculating the domestic value added in exports from UK regions to the EU, and dividing that by regional GDP, an indicator of the share of regional GDP exposed to Brexit is reached. This approach found that around a third of Greater Manchester's manufacturing output is exposed to Brexit, and 11.3 per cent of the whole Greater Manchester economy.[2]

4.8 Studies of the impact of Brexit have also tended to focus on the implications for the UK's trade with the EU, rather than the UK's trade with the rest of the world which is currently conducted through EU agreements. These markets are crucial for the city region's exporters – 11 per cent (£603m) of Greater Manchester's goods exports are to the USA and another 4 per cent (£223m) to China. According to *Financial Times* research of the EU treaty database, there are 759 separate EU bilateral agreements spanning 168 non-EU countries with potential relevance to the UK, covering trade in nuclear goods, customs, fisheries, trade, transport and regulatory co-operation in areas such as antitrust or financial services. The UK Government is hoping that better and more ambitious agreements will be agreed with countries outside the EU which will increase trade, but there is also the potential for negative impacts if the UK is not able to replicate those trade agreements that the EU currently has with other countries.

4.9 The size of those potential impacts are impossible to quantify from the data sources currently available to Greater Manchester, reinforcing the case for a full analysis with Government of the regional impact of Brexit scenarios. The Government's own analysis of Brexit impacts concluded that trade deals with non-EU countries could – in the most optimistic scenario – add 0.7 per cent to the UK's GDP in the long term. This beneficial effect only offset part of the negative impacts which the Government found resulted from the potential new trade scenarios with the EU (an overall loss of 1.6 per cent of UK GDP with an EEA-type deal; a loss of 4.8 per cent with an FTA-type deal; and a loss of 7.7 per cent with WTO rules following no deal). If the current EU trade deals with other countries were not replicated, then these negative effectives would be larger for the UK and Greater Manchester.

4.10 The analysis in this paper explores sector and firm effects further by focusing on three areas where Greater Manchester firms and sectors cold be exposed:

i. The potential impact of non-tariff barriers on trade by Greater Manchester sectors;
ii. The potential impact of tariff barriers on trade by Greater Manchester sectors; and
iii. The potential impact on the Greater Manchester labour market and access to skills for employers.

4.11 There are also likely to be implications for the movement of capital – and therefore for investment in Greater Manchester. These are impossible to quantify from available data sources, and will depend on any agreement reached between the UK and EU on financial services. However, there are some insights from the surveys of businesses carried out for Greater Manchester's Brexit Monitor. As the most recent finding, set out above, show there is increasing uncertainty with 27 per cent of firms saying they were unsure what impact Brexit would have on investment plans – the highest level since the survey was launched in July 2016.

2 Wen Chen, Bart Los, Philip McCann, Raquel Ortega-Argilés, Mark Thissen, Frank van Oort, The continental divide? Economic exposure to Brexit in regions and countries on both sides of The Channel, October 2017.

4.12 The uncertainty, at this stage, around what sort of deal the UK Government is aiming to achieve, and the shape of any final agreement with the EU on the future relationship, makes the analysis of any potential impacts challenging. The assessments therefore draw on the material from the Government's own assessment which have been put into the public domain, and other studies carried out by academic institutions and think tanks. The uncertainty around these, in addition to the obvious difficulties in forecasting future events, means that there is inevitably a range of possible outcomes. But, despite these challenges, such analysis is important for assessing the possible implications for Greater Manchester of different types of deal, and for providing a sense of scale and direction of changes.

4.13 The clear conclusion is that any deal which creates barriers to trade with existing trading partners or reduces the availability of skills for firms, would have a negative impact on the Greater Manchester economy. These could be partially offset in the long-term by the development of new trading relationships. But, there would still be a difficult transition for many firms – not just those involved directly in trading with the EU, but also firms focused on domestic UK markets which are involved in the supply chains for firms involved in cross-border trade. There are also impacts on investment which are related to the uncertainty which is facing firms, whatever the future relationship between the UK and EU.

4.14 The following section sets out the findings from Greater Manchester's analysis.

5 Findings from Greater Manchester's analysis

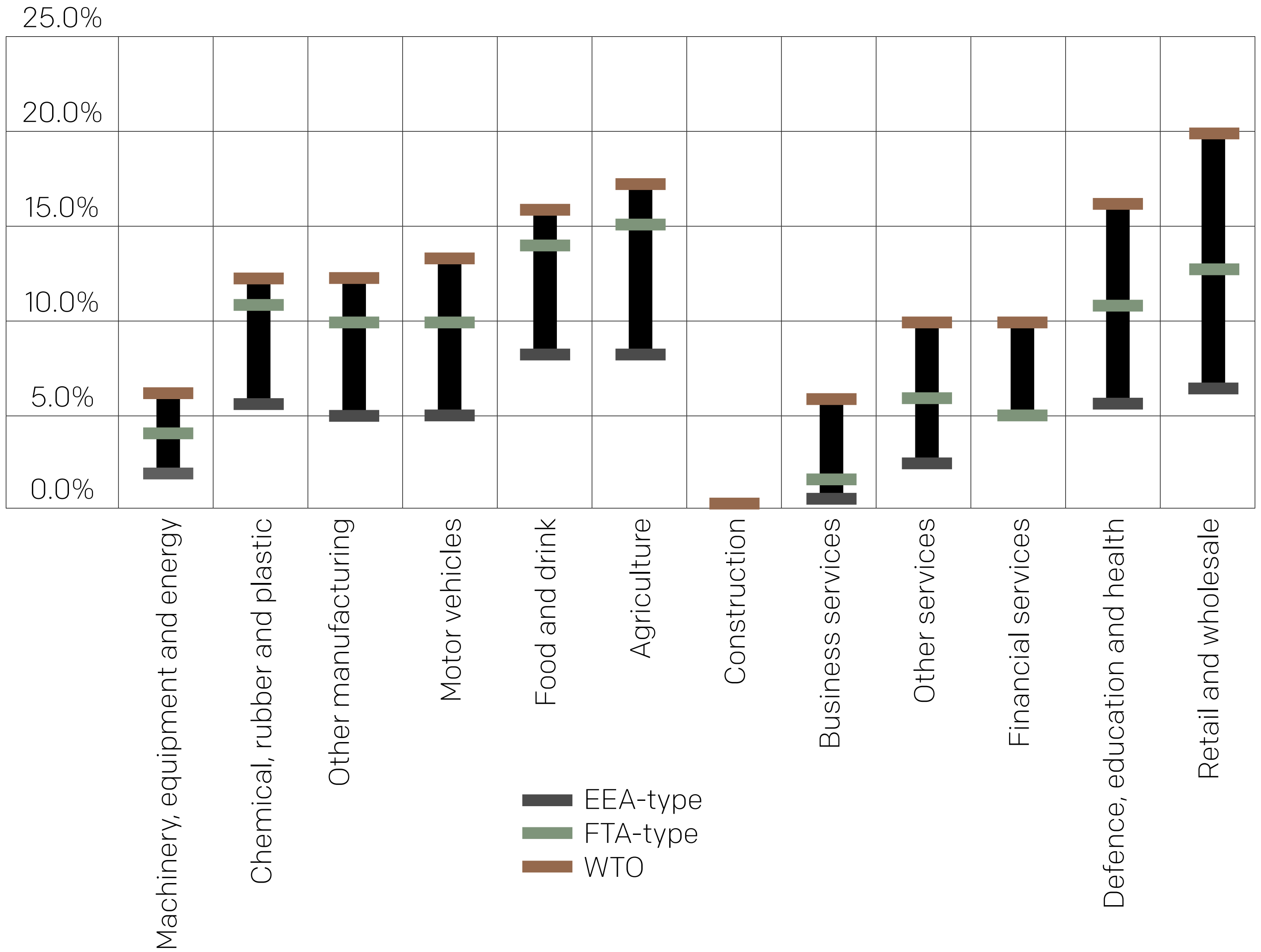
(i) <u>Non-Tariff Barriers</u>

5.1 In monitoring the potential impacts of Brexit, the GMCA has carried out a rolling survey of businesses and in depth interviews with some of Greater Manchester's larger employers – supported by the Manchester Growth Company and the Greater Manchester Chamber of Commerce. This work has found that non-tariff barriers are seen as at least as significant as tariff barriers as a risk to current trading relationships.

5.2 Commitments by the Prime Minister have provided some reassurance that the UK is likely to retain most EU regulatory standards after Brexit, and therefore reduce non-tariff barriers. However, this is obviously subject to negotiation with the EU and may well not apply across all sectors. Analysis from the Business Register and Employment Survey shows that a higher proportion of Greater Manchester's employment is in manufacturing – and particularly food and drink manufacturing and textile manufacturing – than the Great British average. The same is true of retail and business and professional services. Negative economic impacts on these sectors could therefore have a disproportionate impact on employment in Greater Manchester.

5.3 The Government's analysis of the economic implications of Brexit included an assessment of the potential impact of non-tariff barriers under different scenarios. While the final deal negotiated by the Government with the EU may differ from these scenarios, the range produced by the Government is very likely to cover the final outcome. The Government's estimates of non-tariff barrier costs, expressed as 'tariff equivalents' and reproduced from the Government's 'EU Exit Analysis Cross Whitehall Briefing, January 2018' are shown in the Chart.

Chart 1: HM Government Estimates of Non-tariff Barrier Costs as 'Tariff Equivalent'



Source: HM Government, 'EU Exit Analysis Cross Whitehall Briefing, January 2018'

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5.4 The Government's assessment of the size of the non-tariff barriers can then be applied to exports by Greater Manchester sectors, to better assess the potential scale of impact for sectors in the city region. Data on exports from Greater Manchester are only available for goods and applying the Government's calculations to that data finds that the additional costs from an increase in non-tariff barriers would be £170m for a deal similar to the European Economic Area, £320m for an a deal similar to the average Free Trade Agreement or £380m if there were no deal and the UK were to then trade under World Trade Organisation rules. The impact is clearly negative and significant.

5.5 However, Greater Manchester also exports services, which make up over 80 per cent of the Greater Manchester economy. These include business, finance and other professional services, education, health and defence, and information and communication. For example, the strength of the higher education sector in Greater Manchester has led to it becoming a successful export sector, with a net benefit to the city region from the cohort of international students beginning courses in 2015-16 of £852m.[3]

5.6 Such services are not only exported directly to the EU, but are also provided to major exporters in other regions of the UK as part of their supply chains. Robust data for services exports are unavailable at the Greater Manchester level, and so potential impacts on services exports cannot be quantified, but it is clear that the actual impact for Greater Manchester firms and sectors would be significantly higher overall than the calculations for goods exports set out here.

(ii) Tariff Barriers

5.7 Avoiding non-tariff barriers is important for all sectors across Greater Manchester, but the introduction of tariffs on trade with the EU would also have a significant impact – particularly for manufacturing. Analysis of the potential impact of trade tariffs on broad sectors of the economy has therefore been carried out. The work uses an illustrative 'no deal' scenario to identify the parts of the economy more exposed to risks from the introduction of World Trade Organisation 'Most Favoured Nation' trade rules. This illustrates the impact if no trade deal is struck between EU and UK. This is not the scenario which the UK Government is aiming for, but is a possibility which the Government is preparing for and gives a sense of the scale of potential impacts.

5.8 If tariffs were introduced on goods exports to the EU in line with World Trade Organisation rules, then they would be charged at an average rate of just under 5 per cent across all goods, at a cost of up to £150m per annum for Greater Manchester exporters.

5.9 The Greater Manchester industries which would be expected to be impacted the most under the no trade deal scenario, would be:

- Miscellaneous Manufactures has a modelled tariff estimate of £45 million per annum;
- Food and Export of Live Animals has a modelled tariff estimate of £45 million per annum;
- Machinery and Transport has a modelled tariff estimate of £25 million per annum; and
- Chemicals has a modelled tariff estimate of £24 million per annum.

5.10 Again, robust data for services exports are unavailable at the Greater Manchester level, and so potential impacts on services exports cannot be quantified. However, given the importance of the service sector to the UK and Greater Manchester's economy, GMCA has identified a number of key capabilities which are exposed to Brexit: Business, financial and professional services; Creative and digital industries; and Healthcare services and life sciences manufacturing.

3 London Economics Report for the Higher Education Policy Institute and Kaplan International Pathways, The costs and benefits of international students by parliamentary constituency, January 2018.

5.11 The Prime Minister's commitment to explore with the EU the terms on which the UK could remain part of the European Medicines Agency (as well as the European Chemicals Agency and European Aviation Safety Agency) is helpful. Her aspiration that UK service providers should not be discriminated against in the EU – and vice versa – is also a good one, even if it is currently far from clear how this will be achieved. However, distancing the UK from the EU's Digital Single Market could limit opportunities for Greater Manchester's thriving digital firms.[4] And the mapping of such sector-based approaches onto Greater Manchester's capabilities reinforces the importance of assessing the place-based impacts of Brexit.

5.12 Across the service sector, the attraction and retention of talent is also a key issue.

(iii) Labour Market Impacts

5.13 Uncertainty over the UK's future immigration rules makes assessment of the labour market impacts of Brexit challenging. However, it is possible to identify the sectors which are most at risk from a reduction in access to EU workers and consequent skills shortages. Greater Manchester commissioned analysis from the Migration Observatory at Oxford University on the proportions of Greater Manchester workers who are EU nationals.[5] Applying these proportions to the latest available data from the Office for National Statistics' Labour Force Survey, the main areas of risk according to the size of the current workforce in Greater Manchester are:

- Distribution, Hotels, and Restaurants, where 26,000 workers are EU nationals;
- Banking and Finance, where 14,000 workers are EU nationals;
- Manufacturing, where 13,000 workers are EU nationals; and
- Public Admin, Education, and Health, where 12,000 workers are EU nationals.

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5.14 These figures from official data sources on employment are likely to under-represent the overall potential impact on the labour market. This is because many workers may be seasonal and/or contracted through employment agencies and so will not be included in these data.

5.15 Any skills shortages brought about by Brexit would exacerbate existing challenges in Greater Manchester, where skills – and therefore productivity – are already too low. Investment to make up this gap and a more joined up local approach which could respond to the needs of local firms should already have started if this challenge is to be met in time for Brexit. The risk is that any opportunities for Greater Manchester residents to raise their pay through a tighter labour market could be missed if they are not accompanied by higher skills and productivity.

4 Speech by the Prime Minister, 2 March 2018.
5 The analysis by the Migration Observatory was based on Labour Force Survey (all quarters), using a sample based on individuals living in the relevant geography, in the labour force (aged 16-65), who are employed.

6 Preparing Greater Manchester's firms for Brexit

6.1 The analysis here clearly shows the significant impact on Greater Manchester's firms if the UK's deal with the EU creates barriers to trade – both non-tariff and tariff. Some Greater Manchester sectors are also reliant on the skills which workers from the EU bring – emphasising the importance of making the Greater Manchester skills system more responsive to local employers.

6.2 But it also shows the importance of a place-based assessment of the impacts of Brexit scenarios. The sector mix differs in every city region, meaning that the implications of a UK deal play out in different ways in different places. Greater Manchester, and the North of England as a whole, should have a voice in negotiations as our new relationship with the EU is agreed. Otherwise, crucial issues around how a new deal impacts on particular places will be missed. The sector mix and structure of the economy in Greater Manchester and the wider North is different from other parts of the UK. A deal which protects some sectors at the expense of others could therefore significantly harm Greater Manchester.

6.3 The Local Industrial Strategy, being developed by Greater Manchester in partnership with Government and others, will be crucial for addressing the risk and grasping the opportunities of Brexit. The potential impact on Greater Manchester's labour market and supply of skills makes devolution to ensure that the city region's skills system is more responsive to the needs of employers even more vital, including the alignment of funding through a post-16 strategic skills plan and the investment through local mechanisms of Apprenticeship Levy which is raised from firms in Greater Manchester but left unspent.

6.4 The Shared Prosperity Fund, which will replace the regional investment currently carried out by the EU, will need to back up that Local Industrial Strategy. That means developing the fund so that it is based on:

- Multi-year funding – providing flexibility to sequence investments to maximum local effect;
- A place-based single pot – allocated to functional economic areas, so that resources can be allocated within national themes, but prioritised to local productivity priorities and taking a joined-up approach which avoids policy silos;
- Matched funding – with UK national funding which has in the past been used to match EU Structural Funds also brought into the Shared Prosperity Fund;
- Flexible use – so that it can be used for both capital and revenue purposes, and for early intervention and preventions (e.g. school readiness) rather than just tackling problems which arise later. It could then also support innovations such as the local revolving investment funds which have been pioneered in Greater Manchester;
- Funding level – with the amount of funding available to Greater Manchester being at least the level of existing EU Structural Funds and their matched funding.

6.5 As powers are returned from the EU, it is also important that the process does not end at Westminster. A concentration of powers in this way would not only miss out on the opportunities to further devolution to drive growth and reform public services, but would be likely to lead to further disillusionment with the UK's national institutions and their inability to respond to local priorities. A full assessment is needed of which powers can be devolved to city regions following Brexit. Greater Manchester has already begun this assessment, drawing on the experience of the Scottish Government and other devolved authorities, and it would be welcome if the offer to the UK Government to be involved in this process were taken up.

Technical Annex

The latest available data for exports from Greater Manchester produced by HMRC are for 2015. The total value of exports from Greater Manchester firms was £5.5bn in that year, a 3 per cent increase from 2014, placing Greater Manchester 15th out of 38 Local Enterprise Partnerships in terms of total exports. Adjusted for working age population, however, Greater Manchester falls to 27th, with an export value per head of working age population of £3.1m, half that for the average across all LEPs (£6.7m). The EU accounted for 58 per cent of goods exports from Greater Manchester firms in 2015, little different to the 59 per cent recorded in 2014. However, the latest figures still represent a greater reliance on the EU as an export market than the average for England as a whole (42 per cent).

The USA was the largest purchaser of exports (by value) from Greater Manchester firms, with £603m (11 per cent) worth of exports heading to the USA. However, of the top ten destinations for Greater Manchester exports, eight were located within the EU, with China (£223m or 4 per cent) the only other top ten partner besides the USA outside of the EU. This underscores the importance of the EU as a trading bloc for Greater Manchester.

Table 1: Major export destinations from Greater Manchester, 2015

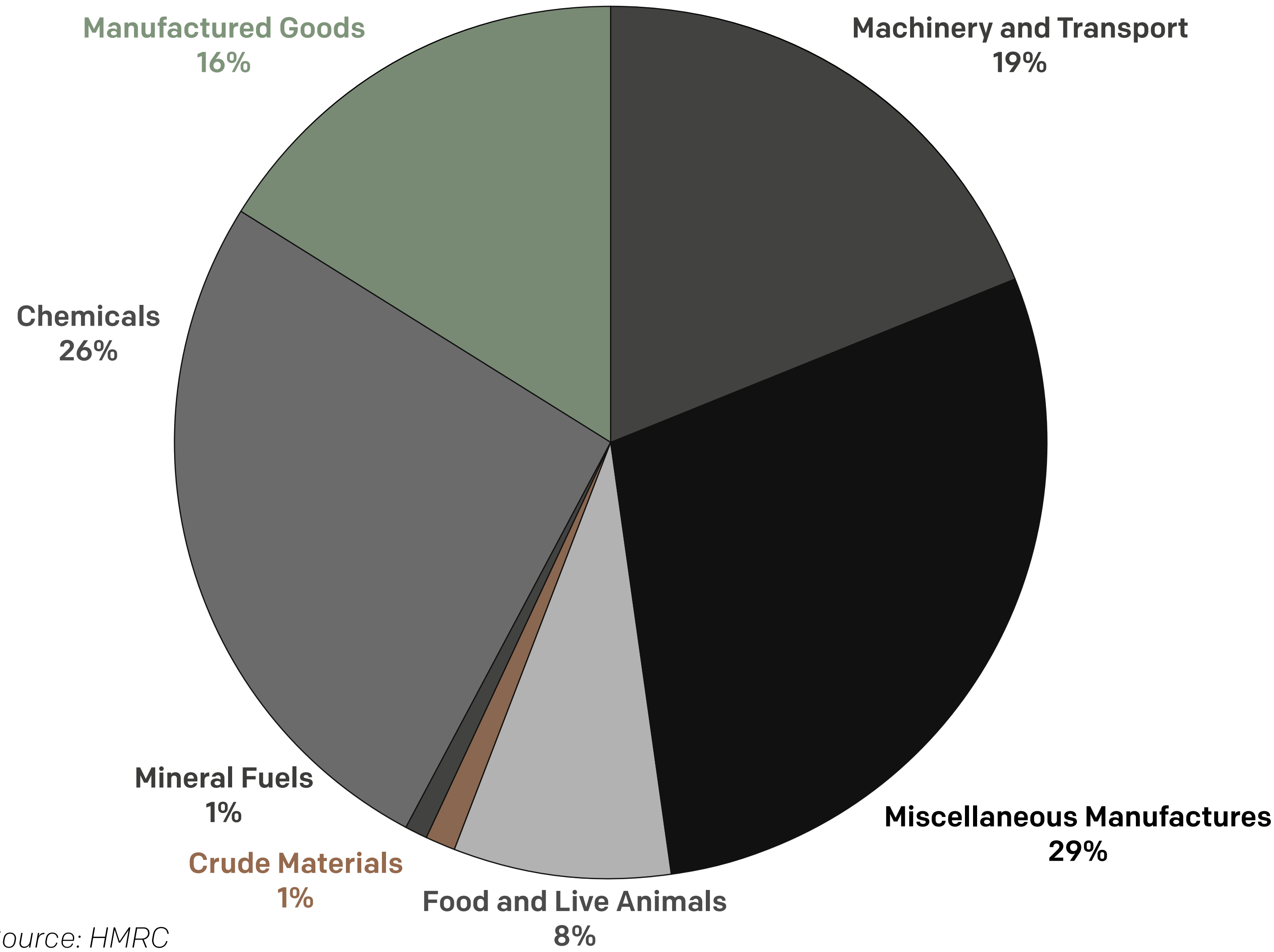
Partner Country	Export Value (£ million)	Share of total export goods
USA	603	11%
Germany	551	10%
Irish Republic	521	9%
Netherlands	411	7%
France	398	7%
Belgium	312	6%
China	223	4%
Italy	192	3%
Spain	177	3%
Poland	156	3%

Source: HMRC

HMRC provide data for the main commodities traded by Greater Manchester, as defined by UN Standard International Trade Classification. These are:

- Chemicals: £1.4bn, (25 per cent of the total value of exports);
- Machinery and Transport: £1.3bn (24 per cent);
- Other Miscellaneous Manufactures: £1.3bn (23 per cent); and
- Manufactured Goods: £0.8bn (14 per cent).

Chart 2: Exports by sector to the EU, 2015



Source: HMRC

In order to estimate the potential impact of tariffs on Greater Manchester exporters, tariffs from the World Trade Organisation schedules were applied to the data for goods exports from the city region provided by HMRC.

This approaches provides a static impact. In the event of the actual introduction of these tariffs, there would then be a dynamic effect as exports would very likely reduce as the introduction of tariffs made goods from Greater Manchester more expensive, and less competitive, in EU markets. These effects would then reduce trade flows and sales by Greater Manchester firms, and also mean that the actual amount paid in tariffs would be lower.

It is estimated that under the scenario where the UK leaves the EU with no trade deal in place, goods exports from Greater Manchester could be impacted by up to £150 million in tariffs, with an average tariff rate of just under 5 per cent. The potential impacts in individual sectors are shown in table 2.

Table 2: Estimates of Tariffs Payable by Greater Manchester Sector Under WTO Rules

Sector	Statistical Value (£ million)	Average Tariff	Tariffs Payable Estimate (£ million)
Food and Live Animals	229	19.6%	45.0
Beverages and Tobacco	-	6.4%	-
Crude Materials	36	3.2%	1.1
Mineral Fuels	31	1.1%	0.3
Animal and Vegetable Oils	-	8.8%	-
Chemicals	784	3.0%	23.9
Manufactured Goods	491	1.9%	9.4
Machinery and Transport	568	4.3%	24.6
Miscellaneous Manufactures	896	5.1%	45.4
Other commodities	-	2.1%	-

Source: GMCA applying assumptions from Civitas national work. (Data on Beverages not available)

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In order to calculate the potential impact of non-tariff barriers, the Government's estimates of non-tariff barrier costs, expressed as 'tariff equivalents' were used from the Government's 'EU Exit Analysis Cross Whitehall Briefing, January 2018'. These were then applied to the HMRC data on Greater Manchester exports of goods. This approach found that the additional costs for Greater Manchester sectors from an increase in non-tariff barriers would be £170m per annum for a deal similar to the European Economic Area, £320m for an a deal similar to the average Free Trade Agreement or £380m if there were no deal and the UK were to then trade under World Trade Organisation rules. The impact is clearly negative and significant.