Report to COUNCIL

European Union Referendum – Impact on Oldham and Greater Manchester

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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.

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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