

## Report to COUNCIL

# European Union Referendum – Impact on Oldham and Greater Manchester

### Portfolio Holder:

Councillor Jean Stretton, Council Leader

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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 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.

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- 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.

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## 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

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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

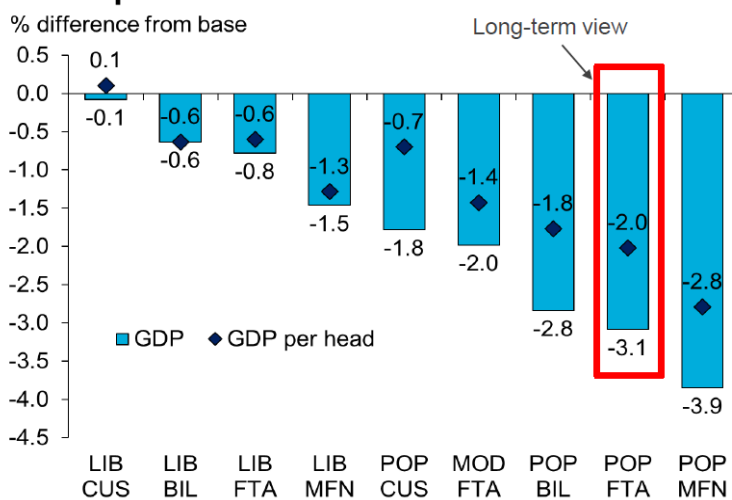
3.1 LSE analysis also highlights that the **variation in Local Authority level shocks is considerably higher under hard Brexit.** This suggests that some Local Authority areas are particularly specialised in sectors that are likely to be badly hit by a hard Brexit, in particular financial services and 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.

**UK: Impact of Brexit in 2030**



**Key:**

**Policy direction:**

- LIB – liberal
- MOD – moderate
- POP – populist

**Trade agreement:**

- CUS – customs union
- BIL – bilateral accords
- FTA – free trade agreement
- MFN – most favoured nation

**Note:**

analysis carried out before Blue Book revisions

Source : Oxford Economics

Go to <http://www.oxfordeconomics.com/brexit/executive-summary> to download a copy of the Executive Summary of our research programme



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.

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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

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- 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



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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.**

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## 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.

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## 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.

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- 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.

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- 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.

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- 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

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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

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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