EEW Scrutiny Committee:

Brexit update and implications for Sheffield

14th March 2018

1. Brexit: progress to date
2. National Impact
3. (Potential) implications for Sheffield
4. Forthcoming issues and next steps

Brexit:
progress to date

Sheffield City Council


APRIL
2019

Negotiations

There are **three** parallel strands to the negotiations:

1. **Separation**: and the movement toward an orderly withdrawal, starting March 2019.
2. **Transition:** the timing for and detailed negotiation of a large number of factors, including obligations and benefits, from March 2019 – December 2020.
3. **What next:** for arrangements post-Brexit, with a deadline of October 2018 for agreeing the scope of what could be negated in terms of future relationships between the EU and UK.

- In respect of future relationships, current discussions revolve around two central issues: Trade; and Diversion (i.e. where other existing structures and regulations may differ between the EU and UK following Brexit). There are four pillars to these discussions:

1. Market access, and under what future terms this might happen.
2. Cooperation in selected areas of existing collaboration, for example research and innovation.
3. Arrangements for cooperation on security and judicial functions.
4. Political cooperation on issues that extend beyond the EU, for example on foreign security.


Welcome to
NORTHERN
IRELAND


Passport
to the
European Union


BCE ECB EZB EKT EKP 2002
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CVRIA
COUR DE JUSTICE
DES COMMUNAUTÉS
EUROPÉENNES

Theresa May speech at Mansion House

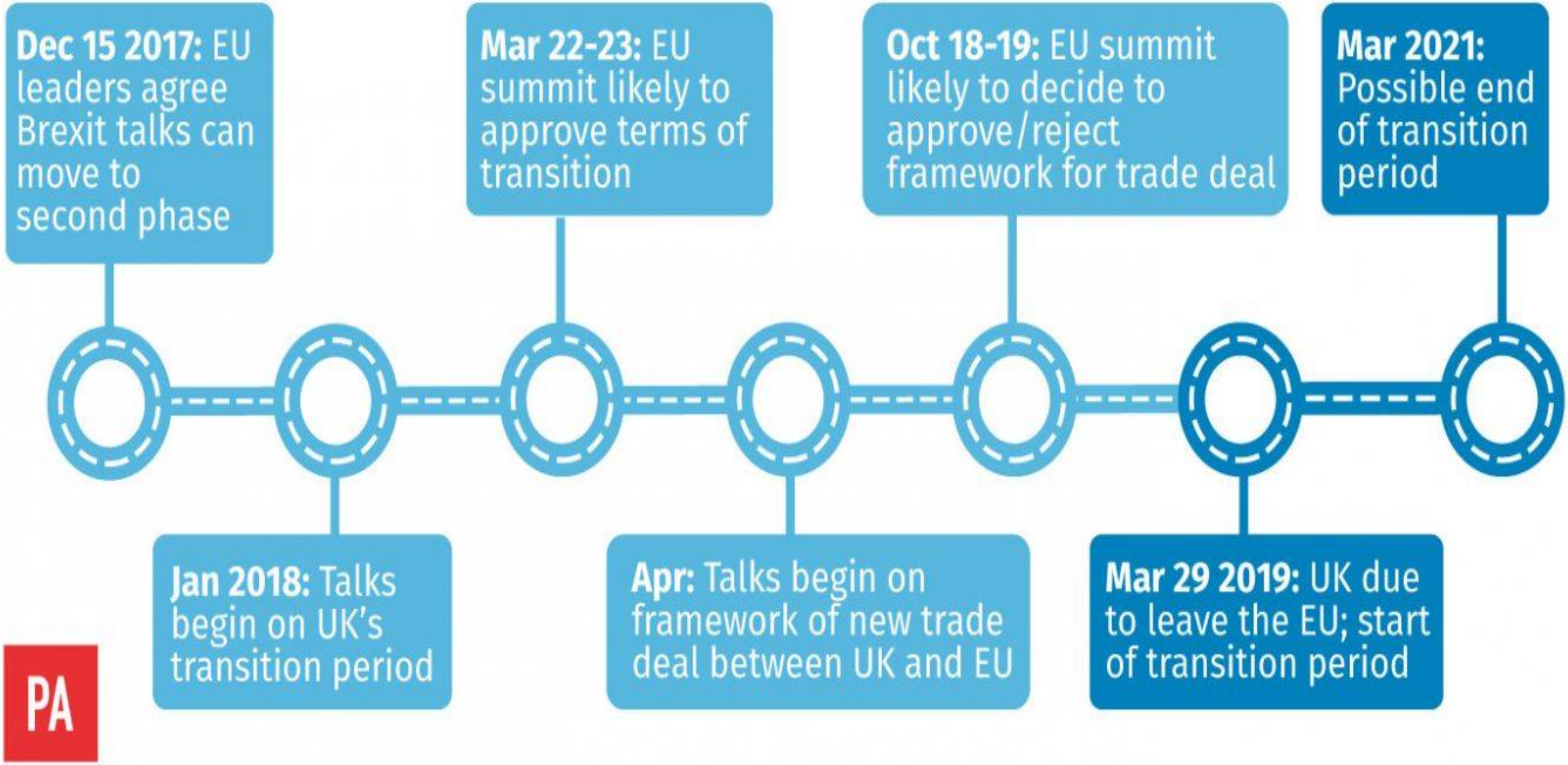
Key points

- **Trade** – Government seeking a tailored / bespoke trade deal for the UK
- **Customs** – proposed either a ‘customs partnership’ (mirror EU rules) or ‘highly streamlined arrangement’ (use tech to minimise border checks)
- **EU agencies** – seek associate membership of key agencies (chemicals, medicines, aerospace)
- **Irish border** – reiterated that would not accept a ‘hard border’ but didn’t set out any new solutions either.
- **Passporting** – ability of financial services to sell services across EU (ie. City of London) will not continue in current form.

5 principles for new trade relationship with the EU

1. there must be “reciprocal and binding commitments to ensure fair and open competition”
2. there must be an “arbitration mechanism” that is completely independent
3. there will have to be an ongoing dialogue and means of consultation.
4. there will have to be an agreement on data protection.
5. the EU and the UK must maintain the links between their people.

Countdown to Brexit: key events



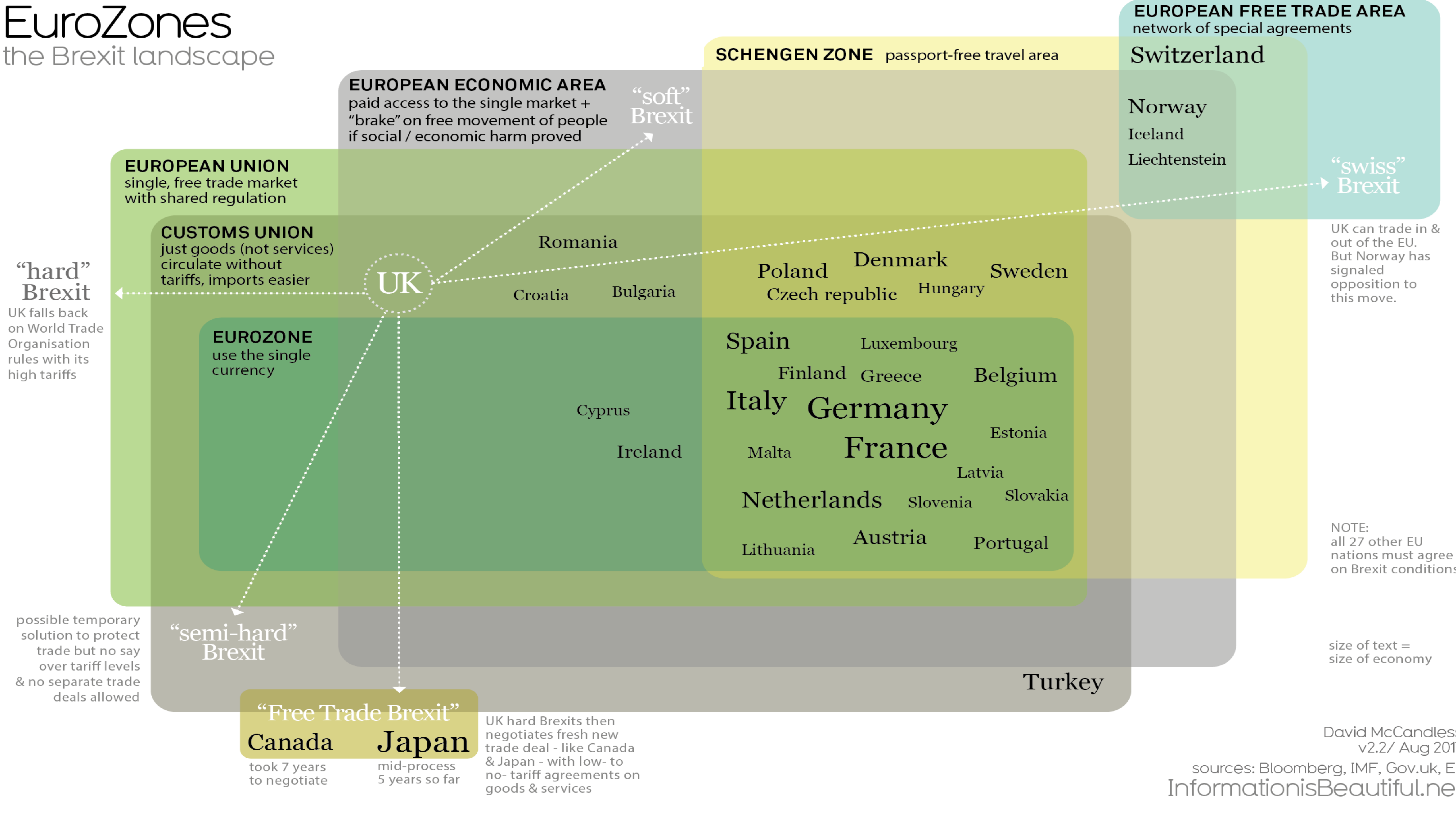
What does the Transition period mean?

- Statement from the European Commission that this should end on 31st December 2020
- UK Government position extends into 2021
- UK would continue to be subject to all existing and any new EU laws during this period (Single Market, Customs Union, ECJ)
- UK would still be required to comply with the 4 freedoms – goods, services, capital and labour - during this period
- Seen as vital to maintaining economic stability in the face of a 'hard Brexit' before full terms of the Brexit agreed

National Impact

Assessment and analysis

- Forecasted post referendum scenarios have not materialised as anticipated, however:
- Oxford Economics outline that No deal Brexit scenario would cost the UK economy £125bn by 2020 **but** would also cost the EU £99.5bn
- The Office for Budget Responsibility has downgraded UK growth expectations for the next five years.
- OECD - UK went from the top of the G7 growth league to the bottom in the year following the Brexit vote
- The Centre for Economic Policy Research calculates that the Brexit vote has already cost the UK economy £300m a week
- The Centre for Economic Performance says that the Brexit vote has cost the average household £404 a year
- The Nursing and Midwifery Council says applications from EU nurses to work in the UK have fallen by 89% since the referendum


EuroZones
the Brexit landscape
EUROPEAN FREE TRADE AREA
network of special agreements
SCHENGEN ZONE passport-free travel area
Switzerland
EUROPEAN ECONOMIC AREA
paid access to the single market + "brake" on free movement of people if social / economic harm proved
"soft" Brexit
Norway
Iceland
Liechtenstein
"swiss" Brexit
EUROPEAN UNION
single, free trade market with shared regulation
UK can trade in & out of the EU. But Norway has signaled opposition to this move.
CUSTOMS UNION
just goods (not services) circulate without tariffs, imports easier
"hard" Brexit
UK falls back on World Trade Organisation rules with its high tariffs
UK
Romania
Croatia
Bulgaria
Poland
Denmark
Czech republic
Hungary
Sweden
EUROZONE
use the single currency
Spain
Luxembourg
Finland
Greece
Belgium
Italy
Germany
Cyprus
Estonia
Ireland
Malta
France
Latvia
Netherlands
Slovenia
Slovakia
Lithuania
Austria
Portugal
NOTE:
all 27 other EU nations must agree on Brexit condition
possible temporary solution to protect trade but no say over tariff levels & no separate trade deals allowed
"semi-hard" Brexit
size of text = size of economy
Turkey
"Free Trade Brexit"
Canada
Japan
took 7 years to negotiate
mid-process 5 years so far
UK hard Brexits then negotiates fresh new trade deal - like Canada & Japan - with low- to no- tariff agreements on goods & services
David McCandles
v2.2/ Aug 201
sources: Bloomberg, IMF, Gov.uk, E
InformationisBeautiful.ne

Brexit:

(potential) implications for Sheffield

Impact on local growth? - study by LSE and Centre for Cities

Key findings

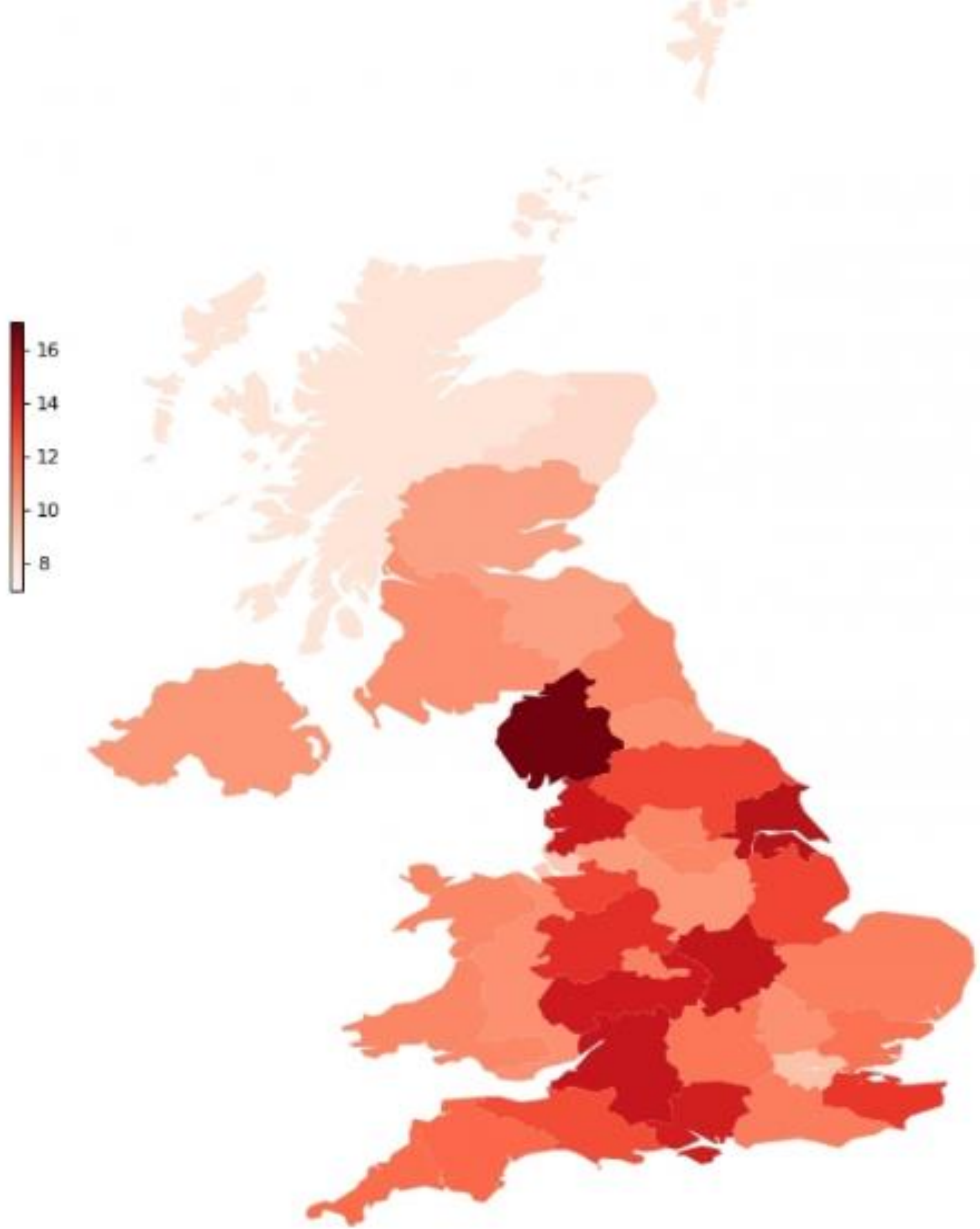
- Every local authority area is predicted to be negatively affected – reduced GVA (esp. under ‘hard’ Brexit due to trade costs).
- Cities are likely to be hit harder than non-urban areas.
- Cities with more employment in private-sector knowledge intensive services (KIBS), (esp. in the South), are predicted to be hit hardest *initially*.
- Suggests that areas most negatively affected by Brexit were more likely to vote remain in the 2016 referendum:
  - But these places may find it easier to adapt to Brexit in the longer term
  - Potential parallels with the 2008 crisis – felt initially more in South East which then recovered more strongly
  - Limited impact on existing income disparities between places

Rank under Hard Brexit	City	Hard Brexit (%)	Soft Brexit (%)	Rank under Soft Brexit
1	Aberdeen	-3.7	-2.1	1
2	Worthing	-2.8	-1.5	2
3	Reading	-2.8	-1.4	5
4	Swindon	-2.8	-1.5	3
5	Slough	-2.8	-1.4	4
6	Edinburgh	-2.7	-1.4	6
7	London	-2.6	-1.3	21
8	Aldershot	-2.6	-1.3	9
9	Leeds	-2.6	-1.3	11
10	Ipswich	-2.6	-1.3	18

Rank under Hard Brexit	City	Hard Brexit (%)	Soft Brexit (%)	Rank under Soft Brexit
53	Blackpool	-2.0	-1.0	59
54	Swansea	-2.0	-1.1	52
55	Telford	-2.0	-1.1	48
56	Luton	-2.0	-1.1	55
57	Mansfield	-2.0	-1.2	42
58	Wakefield	-1.9	-1.1	57
59	Hull	-1.8	-1.0	60
60	Burnley	-1.7	-1.1	53
61	Barnsley	-1.7	-0.9	61
62	Crawley	-1.1	-0.7	62

Source: CEP analysis, 2017

Paper available here: http://www.centreforcities.org/wp-content/uploads/2017/07/17-07-26-Brexit-trade-and-the-economic-impacts-on-UK-cities.pdf

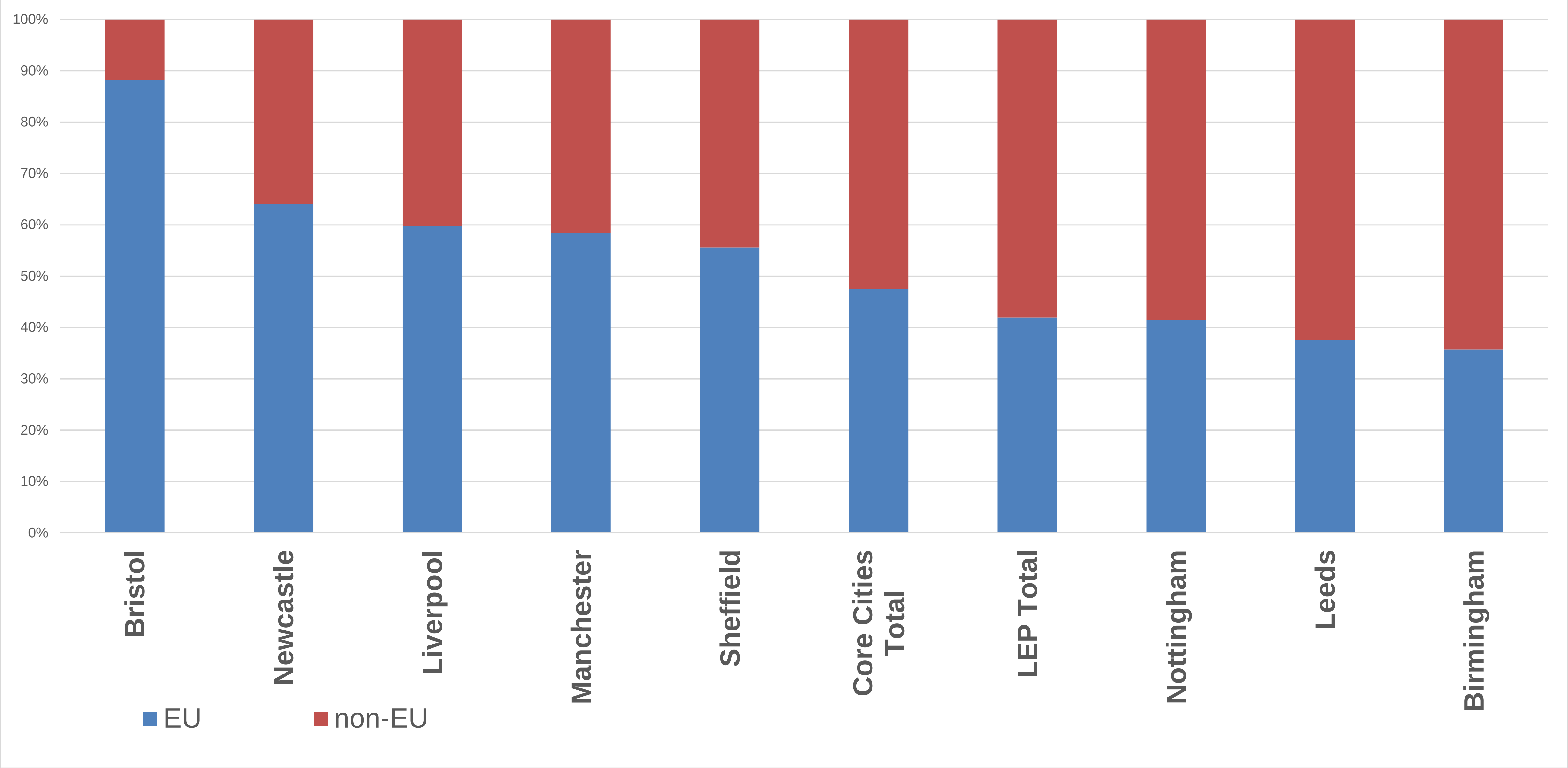


Economic exposure to Brexit across UK nations and regions in terms of share of local labour income

- The Institute for Public Policy Research North calculates that Brexit is set to have nearly twice the impact on the North of England than it will have on London.
- More than 10% of the region’s economy is dependent on trade with the EU.

EU and non-EU exports 2015

(Source HMRC)



Economic impact on Sheffield

- London School Economics (LSE) modelled impacts of post Brexit GVA of local economies

Brexit Scenario	Core Cities average	Birmingham	Bristol	Cardiff	Glasgow	Leeds	Liverpool	Manchester	Newcastle	Nottingham	Sheffield
Soft	-1.2%	-1.1%	-1.3%	-1.3%	-1.3%	-1.3%	-1.2%	-1.3%	-1.2%	-1.2%	**-1.2%**
Hard	-2.4%	-2.1%	-2.6%	-2.5%	-2.4%	-2.6%	-2.4%	-2.4%	-2.2%	-2.4%	**-2.1%**

What do councils <u>think</u> the impact of Brexit will be on their area?

The New Local Government Network (NLGN) recently undertook a survey of council leaders / chief execs

Impact

- **12%** believed Brexit would have a positive effect on their economies
- **61%** believed Brexit would have a negative or very negative impact on their regions

Support for places

- **4%** said they were receiving adequate support from Government
- **68%** thought it was insufficient

Geographical differences

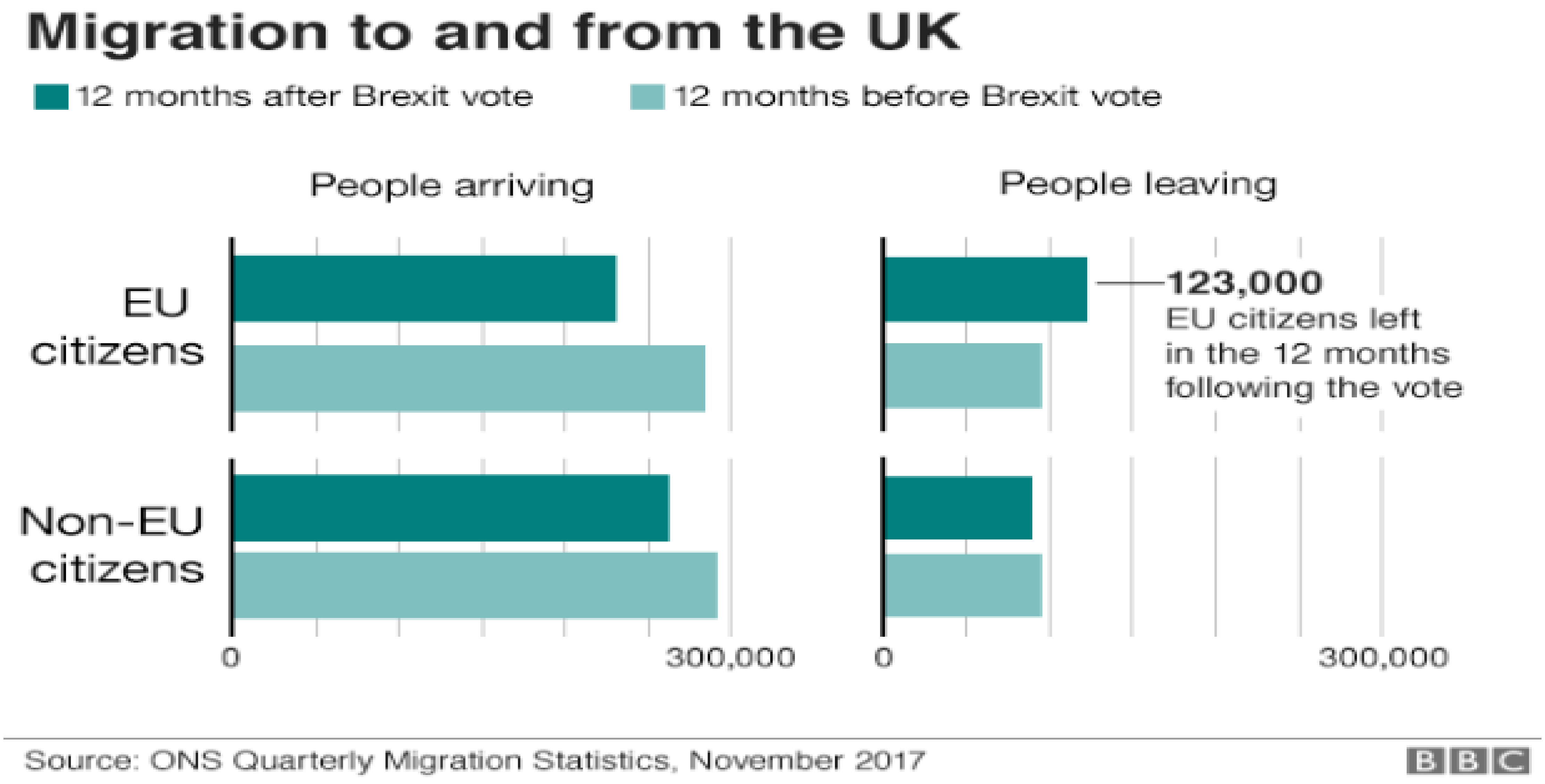
- Councils in the South East least pessimistic about impact of Brexit
- Real concerns about impact by councils in the North East.

https://www.theguardian.com/politics/2018/mar/03/council-leaders-across-uk-believe-brexit-will-hurt-local-economy

Previous areas of interest – EU Funding

- The UK will continue to participate in EU programmes until 2020
- The UK may wish to participate in some EU budgetary programmes post-2020 as a non-Member State.
- Development of multi year **Shared Prosperity Fund** to replace EU funding (EU funding totals £8.4bn and £164m in SCR) and support "sustainable, inclusive growth"

Previous areas of interest – Freedom of movement



Making the case for UK cities in the Brexit debate

- Core Cities Cabinet met:
  - **Michel Barnier** (European Chief Negotiator for Brexit)
  - **Guy Verhofstadt MEP** (former Belgian PM and European Parliament's rep in Brexit negotiations)
  - **Daniel Termont** (Mayor of Gent and President of EUROCITIES network)
- Current Brexit debate is missing the significant economic and social role that cities play in the UK
- Lack of profile for cities within wider debate on Brexit, is in danger of compounding some of the issues that were expressed in the referendum i.e. being left behind
- Direct relations between cities within international networks are increasingly solving problems on the ground that nations states cannot e.g. inclusive growth, climate change, social cohesion
- Real flows of economy, knowledge, skills and innovation are between cities and their institutions – not just nations.
- Look to maintain access to collaborative EU programmes like Horizon 2020

Brexit:

Forthcoming issues

Sheffield City Council

Still to be resolved

There are still some significant issues to be addressed during upcoming negotiations, including:

- **Trade** – May: "*we will not accept the rights of Canada and the obligations of Norway.*" A bespoke model?
- **Immigration** – more selective approach based on UK's social and economic needs?
- **Customs** – Government have proposed either a customs partnership or a "*highly streamlined customs arrangement*"? The EU response has been sceptical.

Questions

- **Are you as Members seeing any emerging trends in your wards?**
  - e.g. economic changes, starting to see a shift in demographics, impact on cohesion

- **Are there any specific areas/questions that Members feel would benefit from further discussion?**