

Brexit and the implications for Local Government

Brexit means Brexit

- And beanz meanz Heinz;
- Requires a negotiated settlement;
- Approval by UK Parliament;
- Approval by European Council of 27 PMs;
- Approval by the European Parliament!
- It will take time....

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'It's a Brexit advent calendar'

What kind of Brexit?

- A hard one?

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'I favour a hard Xmas. No sending money, no trading gifts and definitely no free movement of relatives'

What kind of Brexit?

- A funny one?

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*“Two Englishmen in Whitehall.
One says ‘Which way to Brexit?’
The other one replies
‘I wouldn’t start from here’”*

What kind of Brexit?

- A soggy bottomed Brexit?

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'Don't worry, Bake Off can't actually leave the BBC till Theresa May has triggered Article 50 ...'

The Politics of Brexit

- Déjà vu?

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'Wonderful. I'd rate that as one of Nigel's top three resignation speeches of all time'

The Politics of Brexit

- Enemies of the people?

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*'I'm afraid Parliament will
have to vote before you
light the fuse, Mr Fawkes'*

The Politics of Brexit

- The UK is not alone.....
- In the US.....

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*'Xjklp zpljf gzw
qzxjfp TRUMP!!!'*

The Politics of Brexit

- The UK is not alone.....
- In Italy.....

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'That reminds me, I must take our savings out of the local bank'

The Politics of Brexit

- The UK is not alone.....
- In France.....

Brexit modalities

- The process of decoupling will probably go on for years.
- EIB stake, loans;
- Structural funds and cohesion funds;
- Horizon 2020, EU2020, INTERREG IV;
- Dislocation effects are unlikely to occur soon -- but they will occur;
- UK needs to find an alternative, as yet unidentified, economic anchor in a globalised world.;
- Real enemy in this process is uncertainty;

Implications of Brexit for NI

- Agriculture and the Single Farm Payment;
- Agriculture and Rural Development gets 70% of all NI's EU monies;
- HMT commitment to maintain out to 2020;
- Thereafter.....
- No UK agricultural policy since early 1970's;
- After 2020, will there be a continuation of the single farm payment scheme?
- Will there be targeted funding to encourage younger farmers?
- What will happen to rural development funding? There are no easy answers to these difficult questions.

- Agriculture is significantly more important as a share of the regional economy than it is as a share of the overall UK economy;
- Considerable political pressure and discussion will be required by the Northern Ireland Executive to persuade Downing Street to guarantee pre-Brexit levels of funding.
- Two thirds of all milk production north of the border is processed south of the border;
- Over 70% of food processing in Northern Ireland is southern owned.
- It makes sense to align our food processing interests with those of the Republic of Ireland in any forthcoming negotiations however unpalatable that may be to some sections of our community.

Other Policy implications

- The other important strands of funding from Europe include Peace IV, the Northern Ireland European Social Fund Programme, the Sustainable Competitiveness programme and INTERREG VA.
- Will the Treasury be as generous in its support of the peace process as Brussels has been since the late 1990s?
- Many “UK” policy initiatives are closely aligned to EU initiatives – NRPs;
- Many policy initiatives in the areas of competitiveness R&D, innovation and skills formation and social policy have been influenced by Brussels and so this suggests that Downing Street may not have too much difficulty in justifying continued policy priority in these areas.

- The fundamental question is to whether the quantum of support from HMT will match the existing arrangements.
- The Sustainable Competitiveness Programme is likely to be continued, funded via the BEIS. Will it be funded to the same extent? Probably.
- The European Social Fund Programme with its emphasis on skills formation and apprenticeships is also likely to receive continuation funding from the Treasury.
- Funding for cross-border projects under INTERREG may be problematical as they involve co-financing, particularly by the Irish government.
- It seems likely that the future of cross-border cooperation projects will form part of the broader discussions about future relations (North/South and East/West) and the Common Travel Area.

Implications for Local Government

- Local government participation in European programmes will taper off. Is this a good thing or a bad thing?
- It is good in that it will release funds for investment in whatever UK government replaces European initiatives with -- if at all.
- It is bad in that it will reduce the level of policy innovation and scope for collaborative working and experience sharing with other parts of Europe.
- For some Councils it may restrict access to the relatively cheap sources of long-term funding (EIB, EFSI etc).

- Investment Plan for Europe....
- At the core of the Juncker plan is the notion of leverage.
- The scope for further Central Government borrowing in Northern Ireland under the Reform and Reinvestment Initiative (RRI) and the Stormont House Agreement is now quite small.
- Local government on the other hand is not subject to Treasury borrowing rules and could therefore play a role in leveraging central government capital expenditure.

- This could be done without increasing district rates.
- Local government borrowing through (covered) bond finance could be serviced by reallocation of local government existing expenditures on local economic development and/or tourism.
- This type of investment is best used for projects that generate income streams or have paying customers.
- The key point here is that if local government can identify worthwhile projects that improve localities, create jobs then financing is less of a problem.
- If two or three councils can combine their resources and an even greater leverage and impact can happen.
- The challenge to you is to come up with sound, sustainable projects.

North South issues

- Firstly, Northern Ireland is in an awkward but at the same time, interesting position on Brexit. Why?
- Concern in Brussels about the vulnerability of Northern Ireland and the peace process from a badly negotiated Brexit;
- Brussels still esteems the role it played in sustaining the Belfast Agreement and the peace building process and would seem to be prepared to go the extra mile to preserve it.

- **Secondly** Northern Ireland looks primarily to London (Downing Street) to represent it in the Brexit negotiations. I would not go so far as to declare "perfidious Albion" but if push comes to shove in the negotiations, wider UK/GB interests will tend to dominate. Our political leverage in London is not what it once was. Apart from the common travel area issue, Northern Ireland is not seen as a high priority in London.



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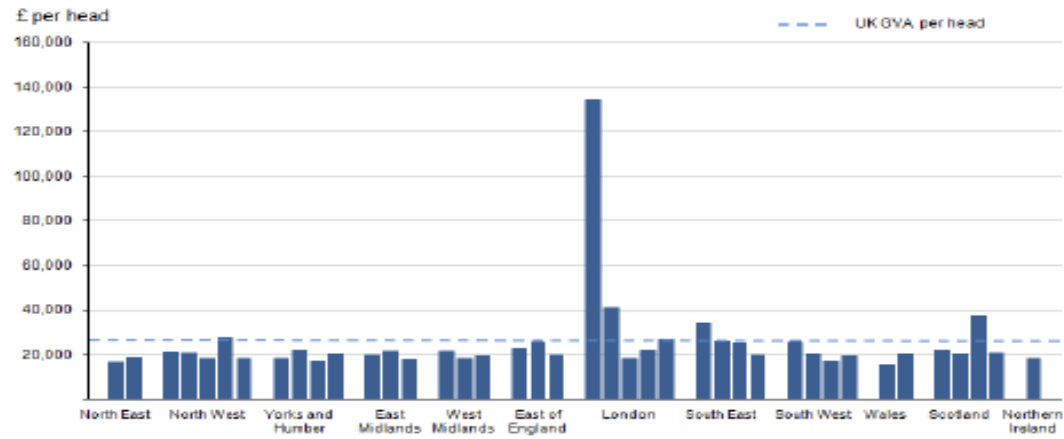
- **Thirdly** Northern Ireland has a foot in both camps of the Brexit negotiations.
- It cannot be in either Northern Ireland's or the Republic's self-interest not to resolve the common travel area issue.
- This may require some concessions by Brussels and the Republic.
- Where there is an obvious shared interest or a shared issue between North and South of this Island then we should not rely solely on London to defend our interests when the Republic remains a sovereign member of the European Union.
- This commonality of self-interest should be taken further - for example in the food processing industry North and South; in the single energy market and in the common tourism endeavour.

Regrets?

- Some of the most fruitful collaborations between Northern Ireland and the rest of the EU have been carried out by local governments here. If this comes to an end then it will be our loss.
- The referendum has laid bare the fact that Britain is now made up of at least seven different nations -- Scotland, Wales, London, the English Midlands, the North of England, the South West of England and Northern Ireland.
- My suspicions were confirmed by Sir Michael Wilshaw's comments last week about the falling standards in schools in the north and east Midlands and their possible connection with a backlash vote in the referendum.

- The referendum also highlighted what older people like myself have been saying for decades -- namely that regional policy does not exist in the United Kingdom any more.
- Since 1979 economic policy has aimed exclusively at growing the UK economy without any change of coherent spatial dimension.
- As a result growth has gravitated an ever faster rate towards London and the south-east. It has gravitated towards services especially financial services which are concentrated in London (apart from a few outposts in Edinburgh, Leeds, Birmingham and Manchester that are mainly due to historical connections).

Figure 4: NUTS2 GVA per head grouped by NUTS1 region, 2014



- This economic desertification of the coal and steel communities in Wales, Yorkshire, Nottinghamshire, Lancashire together with the near abandonment of the North East and Merseyside has taken a political toll.
- Instead of turning their anger on Westminster and London, the source of the policy neglect, much of England and Wales vented their spleen on Brussels.
- Contrast the 72% turnout in the referendum with a 65% turnout in May 2015 election.
- The issue of immigration played a large part in the referendum.....
- but surely it too is a function of decades of policy failure in primary, secondary, vocational and tertiary education, particularly in England.

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*'We think you're being
over-optimistic'*