

TRAFFORD COUNCIL

Report to: Executive
Date: 25th February 2019
Report for: Information
Report of: Executive Member for Investment, Regeneration and Strategic Planning

Report Title

Brexit: An Economic Impact Assessment for Trafford

Summary

In November 2018 a Brexit Economic Impact Assessment (EIA) was commissioned to analyse the implications of Brexit on Trafford. The EIA considers the potential impact of Brexit on Trafford under both 'Deal' and 'No Deal' scenarios.

Using the latest economic data and forecasts, the report contains detailed analysis on the likely impact of Brexit on employment growth, existing businesses, the labour market, employment sectors and implications for EU funding as well as the potential impacts on Council services.

The EIA includes recommendations on how the Council could take a proactive approach in responding to the Brexit challenge.

Recommendation(s)

It is recommended that the Executive:

- (i) Notes the report.
- (ii) Notes the measures identified to address the challenge of Brexit.
- (iii) Notes the role of the Corporate Director for Place as the Senior Responsible Officer for monitoring the impact of Brexit in Trafford.

Contact person for access to background papers and further information:

Name: Stephen James / Damien Cutting
Extension: 4330 / 2756

Background Papers: None

Appendix 1: Brexit: An Economic Impact Assessment for Trafford, January 2019

Relationship to Policy Framework/Corporate Priorities	Not applicable
Relationship to GM Policy or Strategy Framework	Not applicable
Financial	The EIA report was funded from existing resources and sets out the numerous economic and financial risks that Trafford may face from Brexit. The Council is expected to receive a share of £20m government funding announced recently for Council's specifically for Brexit for the next two years (c. £210k pa).
Legal Implications:	None as a consequence of this report
Equality/Diversity Implications	Not applicable
Sustainability Implications	Not applicable
Resource Implications e.g. Staffing / ICT / Assets	The Council employ a number of EU workers with a higher percentage in services social as Health And Social Care. Recruiting for some of these positions is likely to become more difficult particularly if a Withdrawal Agreement is not signed before the exit date.
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

1.0 Background

- 1.1 On June 23rd 2016, Britain voted in a referendum to leave the EU and since that date negotiations have taken place between the government and the EU on the exact terms of the UK's departure and its future relationship with Europe. The UK is due to leave the EU on 29th March 2019 and there remains a high degree of uncertainty as to whether this will be in the form of a Deal (ie. under the terms of the Withdrawal Agreement of 25th November 2018) or No Deal; or whether the departure date will change by extending Article 50.
- 1.2 Research into the potential impacts of Brexit at a local authority (LA) level has been scant and whilst the GMCA has carried out analysis at the sub-regional level, there is a gap in analysis at the local level. In light of this, it was agreed at Council in late 2018 to undertake a Brexit impact analysis study for Trafford and Ekosgen were commissioned to carry this work. Their findings, Brexit: An Economic Impact Assessment for Trafford is attached as Appendix 1.

2.0 Methodology

- 2.1 The EIA provides a detailed analysis on the potential economic impact of Brexit on Trafford in terms of the two main possible outcomes i.e. leave on the basis of a Withdrawal Agreement ie. Deal; or leave without a Deal ie. No Deal, with the subsequent implications in terms of tariffs and trade regulations.
- 2.2 Taking into account the potential implications of a Deal and No Deal scenario, the EIA covers the following:
- An overview of the existing Trafford economy and workforce,

- Modelling of the potential economic impact of Brexit on Trafford – including forecast employment growth and sectoral employment change,
- Business impact – including implications for trade and access to markets, exports, imports, supply chains, EU Regulation and business investment,
- Labour market and access to skills – including post Brexit rights for EU Citizens and the UK’s future skilled based immigration policy,
- Potential impacts by employment sector,
- Implications for EU funding, and
- Implications for Trafford Council services and policies – including potential skills shortages and recruitment challenges, EU Settlement Scheme, and Brexit monitoring arrangements.

2.3 The EIA has been a largely desk based piece of research, however interviews were held with members of CLT and the CCG to gain further information on the potential impacts of Brexit on Council services.

3.0 The Economic Impact of Brexit on Trafford

3.1 The EIA identifies a range of analysis on the effects of Brexit on Trafford’s economy and this section covers a number of key areas. In terms of GVA, Table 1 illustrates that Trafford is expected to perform relatively poorly compared to the rest of GM and the UK due to its sectoral specialisms in exporting industries such as food and drink, effects of high tariff and non-tariff barriers, and the knock-on effects on supply chains. Trafford is expected to rank 28th out of the 380 UK Local Authorities and 2nd out of the 10 GM authorities by size of negative impact. GVA is expected to be 2.6% less under a hard Brexit (No Deal) or 1.3% less under a soft Brexit (Deal).

Table 1: Impact of Brexit on GVA in Greater Manchester

Impact of Brexit on GVA in Greater Manchester, (% change)			
	Soft Brexit	Hard Brexit	Rank
Salford	-1.4	-2.7	23 rd
Trafford	-1.3	-2.6	28th
Manchester	-1.2	-2.5	69 th
Stockport	-1.3	-2.4	86 th
Bury	-1.3	-2.4	96 th
Bolton	-1.2	-2.2	151 st
Rochdale	-1.3	-2.2	171 st
Wigan	-1.1	-2.0	234 th
Oldham	-1.2	-2.0	237 th
Tameside	-1.1	-1.9	295 th

Source: CEP/LSE The Local Economic Effects of Brexit, 2017

3.2 In terms of employment, the Greater Manchester Forecasting Model (GMFM) predicts Trafford will see an increase of 12,000 jobs by 2026. However, the EIA identifies that by 2026, under a Deal scenario, the increase is expected to be half that compared to current forecasts i.e. 6,000 additional jobs, rather than 12,000, with a reduction of circa £550m in terms of GVA (see Table 2 below).

Table 2: Impact of Brexit (Deal) on Trafford Employment and GVA

Trafford Employment and GVA Growth Forecasts: Potential Impact of Leaving the EU with a Deal						
	2017	2018	2019	2020	2021	2026
Total employment (000's)	164	165	166	167	169	176
With Deal	164	165	165	165	166	170
GVA £m	7,295	7,420	7,563	7,747	7,948	8,853
With Deal	7,295	7,295	7,367	7,441	7,516	8,298

Source: Greater Manchester Forecasting Model and ekosgen estimates taking account of several economic forecasts of impacts under Deal and No Deal scenarios, including the Bank of England and IMF

- 3.3 Under a No Deal scenario (Table 3), employment growth is expected to fall from 2019 and only recover to 2017 levels by 2026. The same trend applies to unemployment, which will show significant increases up to 2021 before tailing downwards. GVA is predicted to be c£1bn less under No Deal by 2026 compared to the GMFM forecast.

Table 3: Impact of Brexit (No Deal) on Trafford Employment and GVA

Trafford Employment and GVA Growth Forecasts: Potential Impact of Leaving the EU with No Deal						
	2017	2018	2019	2020	2021	2026
Total employment (000's)	164	165	166	167	169	176
No Deal	164	165	160	157	157	164
Unemployment	2,600	2,600	2,500	2,500	2,400	2,200
No Deal	2,600	2,600	3,600	4,600	5,000	2,600
GVA £m	7,295	7,420	7,563	7,747	7,948	8,853
No Deal	7,295	7,430	6,984	6,984	7,123	7,842

Source: Greater Manchester Forecasting Model and ekosgen estimates taking account of several economic forecasts of impacts under Deal and No Deal scenarios, including the Bank of England and IMF

- 3.4 Table 4 provides an estimate for the number of job losses by sector under a No Deal scenario up to 2021. A fall in employment and GVA will see a negative effect on the commercial residential property market, feeding into the construction industry (1,000 job losses); lower levels of consumer expenditure will have a negative effect on the retail and distribution, the visitor and leisure economy sectors (1,400 job losses). Manufacturing and the financial sectors will be adversely affected by new trade/tariff arrangements and business investment and re-investment decisions. Human health and social work activities are estimated to lose a lower number of jobs, however depending on the types of skills and expertise lost, coupled with the existing shortages in the sector, the overall indirect impacts would be exponential.

Table 4: Total number of job losses by sector (No Deal)

Trafford: Possible Employment Losses Under No Deal 2018-2021	
Industry (Ranked Order)	Number
Wholesale and retail trade	-600
Professional, scientific and technical activities	-500
Administrative and support service activities	-700
Manufacturing	-800
Construction	-1,000
Accommodation and food service activities	-800
Arts, entertainment and recreation	-600
Information and communication	-500
Financial and insurance activities	-800
Real estate	-900
Transportation and storage	-300
Human health and social work activities	-100
Other	-400

Source: *ekosgen estimates using the Greater Manchester Forecasting Model and forecasts of sectoral impacts from various sources including IMF and Bank of England*
**education not included as no short-term estimated impact upon education*

3.5 The EIA provides further analysis of the effects of Brexit on a range of key sectors for Trafford's economy (see pages 17 to 21). It is identified that Food and Drink, Health and Social Care, Distribution and Logistics, Engineering, Finance and the Hotel and Visitor sectors will face negative and significant impacts. There is a correlation between this and the sectoral concentration of EU workers in Trafford and overall it is estimated that EU workers account for c12, 000 jobs in Trafford (8% of total jobs).

4.0 Implications for Trafford Council Services and Policies

4.1 The EIA identifies several likely impacts on the Council and its ability to deliver local services in the wake of Brexit, particularly in terms of a No Deal. These impacts include:

- A likely slowdown in growth of Business Rates income due to fewer new businesses, and a reduction in Business Rates if the No Deal scenario takes place.
- A reduction in inward investment as a source of new and additional Business Rates, including established foreign owned business losing out in future re-investment plans.
- Increasing unemployment under a No Deal scenario; more muted employment growth in the early years post Brexit if a deal is agreed. There is a potential knock on effect of reduced employment and training opportunities for young people, which would be significant under a No Deal scenario.
- Staff shortages in a number of community related services such as health and social care, as well as higher skilled and experienced staff.
- A potential reduction in school places over the next five years as the numbers of migrant families reduces (the children of working migrants make up an important component of some school places).

4.2 The report also identifies a number of issues for the Council to consider working in partnership with the GMCA, which include:

- EU Settlement Scheme – the Council and GMCA to consider how to support and promote the scheme, particularly in terms hosting an Identity Verification or Assisted Digital Service.
- Business Support – determining any new or expanded role for the Growth Company and securing additional resources from BEIS to help companies respond to Brexit.
- Inward Investment – refreshing/reviewing the role of MIDAS to deal with implications and opportunities of Brexit.
- Funding – determining the role of the Shared Prosperity Fund to help companies deal with Brexit.

4.3 In relation to the Council and the need for coordination of the implications of Brexit, the EIA makes the following recommendations:

- Appoint a SRO to monitor Brexit, disseminate information and liaise with GMCA, government.
- Establish a Brexit group of Senior Officer to meet six weekly over the next twelve months.
- SRO to report to Council's Senior Management Team and Brexit should be a standing item on the agenda.

4.4 These recommendations will be addressed by the Corporate Director for Place acting as Brexit SRO, working with CLT as the group of senior officers coordinating and monitoring the implications of Brexit. Brexit will be a permanent agenda item at meetings of CLT.

5.0 **The Council's Response to the Brexit Challenge**

5.1 The impact of Brexit and how to effectively manage the implications, both under a Deal and No Deal scenario, is proving difficult for the government to plan for and provide clarity on, which makes it even more difficult for LA's. The EIA has identified that Trafford will face adverse economic impacts from Brexit and Council service delivery could also be adversely affected. As identified above, the EIA has raised a number of issues for the Council to consider, working in partnership with the GMCA. This includes the issue of the Council's role in supporting the EU Settlement Scheme to ensure staff and residents who are EU nationals are kept updated and fully informed of requirements under the Scheme, and that the Council is fully aware of its obligations to EU nationals under its care. These issues can be addressed through the coordination role of the Brexit SRO and CLT, working closely with the CCG, along with ongoing monitoring and planning of any direct impacts on staff and skills shortages, particularly those working in health and social care.

5.2 Given the likely reduction in EU workers in a number of important business sectors based in Trafford, ensuring identified local skills shortages can be met in the future is a major priority identified in the study. It recommends that Trafford, in partnership with the GMCA should adapt an appropriate skills strategy to take into account a likely loss of EU labour, ensuring that local training / Further Education providers are taking the correct approach and have the resources to tackle skills shortages and recruitment challenges. The Council will ensure that this is addressed by the GMCA and will work closely with it over the detail of the emerging Shared Prosperity Fund so that it effectively replaces current levels of EU funding invested in business support, training and skills development.

- 5.3 The Council will need to work closely with the GMCA/LEP in terms of the wider economic and skills impacts of Brexit to ensure a co-ordinated and targeted approach, pool resources and to develop mitigation measures. The sharing of information, advice and guidance will be vital as well as the ten LA's acting as one to effectively plan for the implications of Brexit and to lobby government. Health, education and skills/training providers will be key partners along with business leaders. At the local level, the Trafford Partnership and its delivery Boards will play a key role in bringing all key stakeholders together to plan and monitor Brexit.
- 5.4 Supporting local businesses and attracting new business and inward investment will be vital in a post-Brexit world. Close working relationships have been developed with MIDAS and the Growth Company and these will be fully utilised, along with a focused business relationship programme in the borough, to liaise with local businesses, promote Trafford as a business investment location, and support local businesses through Brexit. Proposals for a wider Trafford business loan support package, building on the success of the town centres loan scheme, are being developed to further the competitiveness of the borough and enhance the support available from the Council.
- 5.5 At a strategic level, the Greater Manchester Spatial Framework (GMSF) sets a long term approach to jobs and housing growth which will respond positively to the economic challenge of Brexit. The Framework provides for new jobs and new homes in the borough, continuing to make Trafford an attractive proposition for investment, particularly in terms of the two key strategic sites at Carrington and Timperley Wedge. The emerging Greater Manchester Local Industrial Strategy will also play an important role in the growth of the economy and mitigating against Brexit by increasing the competitiveness of key economic sectors, addressing skills gaps, ensuring infrastructure etc. The Council will work closely with the GMCA to ensure the Strategy takes full account of Brexit and that it benefits the local area 'on the ground.'
- 5.6 The Council is pro-growth and pro-investment and continuing this approach in the face of Brexit will be challenging, but it will instill confidence in the borough and have a positive impact on the private sector. The Investment Fund will play a key role in this, particularly when Council resources are used to lever private sector investment in the borough. The partnership created around investing in UA92 exemplifies this approach. The Council is also continuing to invest in its town centres to maintain their viability and attract business investment, such as in Altrincham and Stretford; and in setting longer term regeneration and investment opportunities through comprehensive masterplanning of areas such as the Civic Quarter in Old Trafford. In terms of employment sites, Trafford Park is a vital economic asset for the borough and the new £350m Trafford Park Line, financially supported by the Council, will help ensure the Park continues to attract private sector investment and is even more accessible to businesses and the workforce.
- 5.7 On the 28th February the government announced funding of £56.5m for local authorities to help support preparations for Brexit, with £20m for 2018/2019 and 2019/2020 respectively. It has not been confirmed when the monies will be released but the Council is expected to receive £210k for both financial years. The Council will be able to decide how to allocate this funding but the government has identified that it is expected that money will be spent on resources, like recruiting extra staff, to ensure councils have the capacity to provide timely and accurate information to residents who have questions on how Brexit will affect them. This funding should help address a number of the issues identified in 4.1 above and overall, the EIA will prove a useful document in setting the priorities for this funding.

5.8 The Brexit landscape is changing on a daily basis and the lack of clarity at the national level makes it incredibly difficult to plan for. However, the measures detailed above will help, as much as they can, to mitigate against the impacts of Brexit while the uncertainty continues on which Brexit option the UK will adopt.

6.0 Reasons for Recommendation

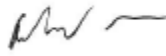
6.1 That the Executive has a clear indication of the potential impacts of Brexit on Trafford.

Key Decision No

Finance Officer Clearance *(type in initials)...*PC.....

Legal Officer Clearance *(type in initials)...*TR.....

[CORPORATE] DIRECTOR'S SIGNATURE *(electronic)*



To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.