

Brexit Committee

Thursday, 11th October, 2018

MEETING OF BREXIT COMMITTEE

Members present: Councillor Walsh (Chairperson);
Aldermen Kingston, McGimpsey and Spence;
Councillors Attwood, Beattie, Campbell, Canavan,
Carson, Dorrian, Dudgeon, Hutchinson, Lyons, McAllister,
Nichol, O'Hara and Pankhurst.

In attendance: Mr. N. Grimshaw, Strategic Director of City and
Neighbourhood Services;
Ms K. Walsh, Business, Research and Development
Manager;
Ms G. Long, Commissioner for Resilience;
Mr J. Greer, Economic Development;
Ms. C. Sullivan, Policy and Business Development Officer;
Mr. J. Hanna, Senior Democratic Services Officer; and
Miss C. Donnelly, Democratic Services Officer.

Apologies

Apologies for inability to attend was reported from Councillors Dorrian, Reynolds and Dudgeon.

Minutes

The minutes of the meeting of 20th September were taken as read and signed as correct. It was reported that those minutes had been adopted by the Council at its meeting on 1st October.

Declarations of Interest

No declarations of interest were recorded.

CBI – Skills Shortages Following Brexit

The Committee considered the following report:

“1.0 Purpose of Report or Summary of main Issues

The purpose of this report is to bring to the attention of Members the analysis that CBI NI has undertaken of NI migration and the publication of UK Migration Advisory Committee (MAC) report on EEA migration in advance of the CBI presenting to the Brexit Committee. A representative from

the CBI is in attendance and will address the Committee on this issue, if they so wish.

2.0 Recommendations

Members are asked to note the report.

3.0 Main report

Key Issues

The CBI (Confederation of British Industry) Northern Ireland have been carrying out research and analysis to understand the potential impact of migration as a result of the UK's decision to leave the EU. They recently launched a new report '*All Together Better: Accessible Labour – a Necessity for Regional Economic Prosperity*' which provides an analysis on how restricting migration would impact population growth and subsequent real GDP in Northern Ireland. It highlights the acute need for local private and public-sector employers to have continued access to the people and skills they need to succeed post-Brexit.

The CBI also provided an analysis of the UK's Migration Advisory Committee's report on European Economic Area (EEA) migration which was published on 18 September.

(the MAC report is available:

<https://www.gov.uk/government/publications/migration-advisory-committee-mac-report-eea-migration> and the CBI analysis and summary of key findings is available at: <http://www.cbi.org.uk/cbi-prod/assets/File/pdf/cbi-mac-analysis.pdf>)

The CBI has been engaging with multiple UK Government departments, across all levels, to influence the upcoming White Paper on migration (due in the Autumn). Key messages which the CBI has been making include:

- ***Any new system must be easily accessible to all firms***– The current Tier 2 non-EU immigration system is highly bureaucratic and hard for firms to navigate, but particularly difficult for small and medium sized business, which constitute most of Northern Irish industry. Radically reforming the existing process of 'employer sponsorship' is required to have a global system which is accessible.
- ***Firms require access to all levels of skill, not only 'the brightest and best'***– The £30,000 salary threshold is a major barrier preventing firms from accessing both mid

and lower-skilled roles. The MAC's own analysis shows 60% of mid-skilled jobs wouldn't qualify; this is a figure that would be exacerbated in Northern Ireland. Furthermore, lower-skilled migrant labour supplies industries in Northern Ireland that have a relatively high multiplier effect, such as agriculture and agri-food. Firms must be able to recruit workers from overseas below this salary level under any new system.

- *Migration should be part of trade negotiations, starting with the EU* – Despite media coverage focussing on an end to preferential treatment for EU nationals, the MAC made clear it was not making a decision on including migration as part of future trade deals. If Government chooses to implement a single global system, having this flexibility to take a more open approach to migration where we have close trade and economic relations is key.
- *Any new system must work from 'Day 1'*– If the Government decides to establish a single global system, it will take time to make the radical changes required for it to meet business needs. Government must commit to ensuring the system delivers for the economy from its first day of operation, rather than the promise of future reforms – even if this means an extension of the current immigration arrangements beyond December 2020.

The CBI is seeking feedback on the MAC's recommendations and is keen to engage with the council about the issues raised.

Financial & Resource Implications

There are no financial implications relating to this report.

Equality or Good Relations Implications/Rural Needs Assessment

There are no implications relating to this report.”

The Committee invited representatives from CBI, who were in attendance, to present the findings of their analysis of NI migration and the publication of UK Migration Advisory Committee (MAC) report on EEA migration. The deputation provided a detailed presentation on the findings, following which, they answered a number of questions from the Members.

Noted.

**Update on Proposals for the External Workshop
on the Potential Impact of Brexit**

The Committee was reminded that, at its meeting on 9th August, it agreed to the holding of a workshop to host external stakeholders in order to help identify the potential impact of Brexit on the Council, community organisations, the business and other sectors.

A list of potential invitees to the workshop was tabled at the meeting. The Committee noted the date and details for the external workshop and noted that additions could be made to the invite list via the Business Research and Development Manager.

**Brexit Considerations – Article 56
‘Freedom to Provide Services’**

The Committee was reminded that, at its meeting on 9th August, it was agreed that a report be submitted to a future meeting considering possible scenarios for the Belfast services industry if Article 56 ‘freedom to provide services’ of the Treaty on the functioning of the EU does not apply to that sector following the UK’s departure from the European Union.

The Committee considered the following report:

“1.0 Purpose of Report or Summary of main Issues

1.1 Trade in services increasingly dominates the global economy and there is recognition of the inter-connectedness of the financial, legal and professional services markets. The Committee is aware that a full understanding of the potential implications of Brexit remains uncertain while negotiations between the UK government and EU continue to determine the future relationship.

1.2 As requested by the Committee, given the importance of the services sector for the Belfast and the regional economy, this report summarises the main considerations if Article 56 ‘freedom to provide services’ of the Treaty on the functioning of the EU does not apply to that sector following the UK’s departure from the European Union.

2.0 Recommendations

2.1 The Committee is asked to note the content of this report.

3.0 Main report

3.1 Key Issues

At the initial meeting of the Brexit Committee, the Committee requested further information on the options to be considered

in the event of Article 56 'freedom to provide services' of the Treaty on the functioning of the EU not applying to that sector when the current negotiations between the UK government and the EU conclude.

- 3.2** Article 56 of the Treaty on the functioning of the EU states that restrictions on 'freedom to provide services' within the Union are prohibited in respect of nationals of Member States who are established in a State other than that of the person for whom the services are intended. This paper summarises the proposals and main considerations identified in the existing policy documents.
- 3.3** The HM Government white paper 'The Future Relationship between the UK and EU' (July 2018) proposes that a new relationship between the UK and EU will be structured around an economic partnership, which will see the UK leave the Single Market and the Customs Union and be broader in scope than existing relationships between the EU and a third country. It notes that this will be informed by the UK and EU meeting their shared commitments to NI, by protecting the peace process and avoiding a hard border.
- 3.4** The white paper proposes the establishment of a free trade area for goods that would sit alongside new arrangements for services, acknowledging that 'there will be more barriers to the UK's access to the EU market than is the case today'. These proposals would allow the UK to negotiate new international trade agreements in line with its priorities and interests covering goods, services, investment etc.
- 3.5** In terms of the services and digital sectors, the HM Government's vision for the economic partnership is outlined as:
- 'New arrangements for services and digital, providing regulatory freedom where it matters most for the UK's services-based economy ... while recognising that the UK and the EU will not have current levels of access to each other's markets;
 - New economic and regulatory arrangements for financial services, preserving the mutual benefits of integrated markets and protecting financial stability while respecting the right of the UK and the EU to control access to their own markets – noting that these arrangements will not replicate the EU's passporting regimes
 - Continued co-operation on energy and transport – preserving the Single Electricity Market in NI and ROI,

seeking broad co-operation on energy, developing an air transport agreement and exploring reciprocal arrangements for road hauliers and passenger transport operators;

- a new framework that enables UK and EU citizens to continue to travel to each other's countries and businesses and professionals to provide services – in line with the arrangements that the UK might want to offer to other close trading partners in the future'. The report notes that the Migration Advisory Committee is due to report on patterns of EU migration and the role of migration in the wider economy in September 2018.

A copy of the white paper is attached at Appendix 1 and available at: [The Future Relationship between the UK and EU](#)

3.6 EU Directorate General Report

A report produced by the EU Directorate General for Internal Policies (July 2017) acknowledges the uncertainty around how Brexit will affect trade in services and outlines different scenarios for exit and future co-operation on services and establishment (attached at appendix 2 and available at [European Parliament \(DG for Internal Policies\) - Different Scenarios](#)).

- 3.7 The report notes that trade in services is growing faster than trade in goods and to facilitate the freedoms in services through Article 56, also requires the implementation of a wide range of EU secondary legislation. Trade in services on a cross-border basis requires regulation, such as common standards for licenses or diplomas. This enables the application of mutual recognition of standards or waiving supervision of trade in services (i.e. passporting).
- 3.8 The report considers a number of trade agreement options. It concludes that the option of the UK applying European Economic Area (EEA) would, in essence, allow for passporting in regulated sectors and minimise the disruption to the service industry as EEA law is largely aligned to the EU single market law. However, the UK would have to transpose single market law into domestic law and would be without representation in the European Parliament.
- 3.9 The report notes that there are limitations with using other existing trade agreements as a blueprint for a future UK-EU agreement. Other trade agreements considered in the report are described as being more limited in scope or not providing

enforceable rules and therefore less integrated in terms of setting common standards. The following trade agreements have been included:

- EU-Ukraine Association Agreement
- Customs Union (EU-Turkey Customs Union)
- Comprehensive Economic and Trade Agreement (EU-Canada)
- Free Trade Agreement (EU-Korea)
- General Agreement on Trade in Services (GATS) (World Trade Organisation)

3.10 The report notes that the current alignment and integration between EU and UK law and standards creates positive ‘starting conditions’ and that cross border trade in services is likely to be affected more from differences between legal orders and a lack of right to temporary presence. It suggests that any UK-EU ‘Trade Agreement should grant market access’ and agree ‘a mechanism to ensure and monitor common standards as condition for far reaching rights to market access’. This would be considered feasible as long as standards are approximated; with the potential for the suspension of market access and mutual recognition if either party changes standards unilaterally. However, it would require the development of a mechanism to monitor the alignment of standards between the UK and EU.

3.11 The main issues to be considered in the negotiations for a future EU-UK Trade Agreement have been summarised as:

- A common standard setting mechanism
- The importance of agreeing mutual recognition and enforcement mechanisms
- Clarifying whether service providers and established persons in an EU-UK relationship can rely on ‘acquired rights’ post-Brexit

3.12 The Belfast Context

The EU and UK have recognised the economic importance of the trade in services, particularly the financial sector. Belfast is the regional economic driver, with 30% of the region’s jobs. The Belfast economy is dominated by the service sector (93% of people are employed in the services sector in Belfast; 83% in the region¹).

¹ Invest NI: Belfast City Council Profile 2018

- 3.13 The Belfast City region accounts for around 50% of the NI business base with strengths in the knowledge economy². Financial Services employs 33,000 in Northern Ireland, with 55% employed in Belfast, around one third of whom are employed by major international financial services companies with centres in the region³; technology companies employ 28,000 & is the top sector for inward investment projects (40%)⁴.**
- 3.14 The NI Draft Industrial Strategy⁵ (Economy 2030) identifies the key growth sectors where Northern Ireland has world class capabilities. This includes financial, business and professional services, creative and digital technologies and life and health sciences. The City Region Industrial Strategic Framework recognises the Belfast Region's strengths in these sectors and for Belfast, financial services and related professional services such as legal services, as well as digital technologies (for example, cyber security) are high-value, high growth sectors which tend to cluster in the city. The City Growth & Regeneration Committee, have previously noted the potential for Belfast to build on these strengths in order to strengthen its role and strategic relationships with both London and Dublin.**
- 3.15 It is worth noting that previous research indicates that the limited data on services sector exports for the region adds a further complexity when assessing any potential impacts (Nevin Economic Research Institute 2016). However, as previously noted by the Committee, the key interests for business in terms of considering Brexit, lie in potential changes to labour mobility and talent/workforce availability, access to supply chains, regulation and compliance, tax, customs and tariffs.**
- 3.16 The Committee should note that in August 2018, HM Treasury updated their publication outlining the proposed approach to taking forward the statutory requirements for financial services, as part of the wider programme of work in preparation for the UK's exit from the EU. This states that the implementation period will be from 29 March 2019 – 31 December 2020 and gives a commitment 'to a workable legal regime being in place regardless of the current negotiation outcome'. It confirms that during the implementation period, common rules will continue to apply. The UK will continue to implement new EU law that comes into**

² UUEPC: Belfast City Region Economic Opportunities - Draft Report July 2017

³ The City UK: Key Facts about UK-Based Financial and Related Services 2018

⁴ MATRIX: NI Digital ICT Report 2016

⁵ Department of Economy, Economy 2030

effect and the UK will continue to be treated as part of the EU's single market in financial services. Businesses will therefore be able to continue to trade on the same terms until 31 December 2020 and comply with any new EU legislation that becomes applicable during the implementation period.

- 3.17 The need to provide certainty and continuity for businesses and consumers has been acknowledged. HM Treasury has expressed an intention to introduce transitional regimes for those operating cross-border and outside the passporting framework. It also notes the intention to provide the financial services regulators with a general power to phase in post-exit requirements, allowing flexibility for firms to transition to a fully domestic UK regulatory framework.
- 3.18 Given the current position, businesses have emphasised the importance of sufficient transition arrangements to help plan, manage and maximise the potential impacts of growth, competitiveness and financial stability. An Invest NI sector-briefing note for financial services (2017) identifies the importance of a sufficient transition period and explains that impacts will depend on a number of factors:
- The nature of the withdrawal agreement between the UK and the EU;
 - The extent to which UK-based financial firms move operations before any agreement is concluded;
 - The overall resilience of the sector, through its broader global relationships and position.
- 3.19 As previously noted, it is vital that efforts remain focused on the city's priorities to grow the economy and build economic resilience by diversifying and strengthening the local economy, continuing to attract investment and tourism and building on the city's strengths to position the city as an internationally relevant, attractive and competitive location of choice.
- 3.20 Financial & Resource Implications
- There are no resource implications attached to this report.
- 3.21 Equality or Good Relations Implications/Rural Needs Assessment
- None.”

Noted.

**Update on Provision of Technical Notices
from the UK and Irish Governments**

The Committee noted the content of the report and that further updates would be provided to future meetings of the Committee.

Update on Site Visit to Port Health Unit

The Committee was reminded that, at its meeting on 9th August, it was agreed that Members would undertake a study visit to the Port Health Unit and that a report be submitted on the potential impact of Brexit on the Port Health Unit.

The Members had visited the Port Health Unit facility on Friday 28th September at 12 noon and an update was provided to the Committee regarding the tour of the facility.

Noted.

**Update on Proposed Programme for
All-Party Delegation to Brussels**

The Committee was reminded that, at its meeting on 20th September, it was agreed that an all-Party delegation from the Council undertake a visit to Brussels to engage with EU officials to represent the views of the Council in relation to Special Designated Status, remaining in the single market and the Council's position on the Backstop, and to engage with EU funding bodies about our future participation in EU funding programmes.

The Committee considered the following report:

“1.0 Purpose of Report or Summary of main Issues

The purpose of this report is to outline for Members the proposed objectives and logistics for a delegation to visit Brussels.

2.0 Recommendations

Members are asked to consider the proposals for the visit, as outlined in this report, and recommend it to the Strategic Policy and Resources Committee for agreement.

3.0 Main report

Key Issues

Members are reminded that at the September meeting of this Committee it was agreed:

'That an all-Party delegation from the Council undertake a visit to Brussels to engage with EU officials to represent the views of the council in relation to Special Designated Status, remaining in the single market and the Council's position on the Backstop; and to engage with EU Funding Bodies about our future participation in EU Funding Programmes.'

Following on from this agreement the Council's Commissioner for Resilience met with the Head of NI Executive Office in Brussels, while in the city for the EU Week of Regions and Cities, and discussed a proposed approach for the visit.

Objectives of a Delegation to Brussels

The following objective are proposed for the visit:

- To receive an update on negotiations on UK withdrawal for EU – meeting with the UK representation on the negotiations.
- To gain an understanding - from an EU perspective - on the options for a future relationship with the UK, following withdrawal.
- To discuss in detail the particular issues concerning the withdrawal agreement for Northern Ireland, and for Belfast in particular.
- To meet members from EFTA countries and the EEA and discuss management of the relationship with the EU e.g. Canton delegation in Switzerland, embedded in the mission from Switzerland.
- To meet senior staff from the EU Committee of the Regions.
- To meet lead staff from other UK cities with a permanent presence in Brussels, regarding preparation for Brexit at city level.

Logistics

- It is proposed that the delegation travel in early December - at this point it is expected that negotiations will have passed a critical milestone. The visit will be well timed irrespective of the outcome of negotiations - if the EU and UK have agreed terms, it will allow the delegation the opportunity to consider the detail of those terms and what it might mean for city planning. If terms have not been agreed, members will be in a position to discuss potential implications for the UK and for the city of Belfast.

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- It is hoped that the NI Executive Office in Brussels will help to host meetings and arrange introductions at agency level. During this period we will also seek to meet NI MEPs who we hope will also host relevant introductions and meetings.
- It is expected that the delegation will take place across three working days, with two nights spent in Brussels.
- Flights and accommodation will be arranged to facilitate maximum opportunity for meetings to take place.

It is proposed that the all-party delegation will be made up of the Chair and Deputy Chair, or their nominees, and a representative from each of the other four parties. The delegation will be accompanied by two officers.

Financial & Resource Implications

It is expected that return flights plus two nights' accommodation and cost of meals and transport will be approximately £1000 per delegate. Formal approval will be sought from Strategic Policy and Resources Committee.

Equality or Good Relations Implications/Rural Needs Assessment

There are no implications relating to this report.”

Arising out of discussion in the matter, it was

Moved by Councillor Carson,
Seconded by Councillor O'Hara,

That the Committee approves the proposed objectives and logistics for the all-Party delegation visit to Brussels, subject to point six being amended to include Irish cities as well as UK cities and to the Lord Mayor or Deputy Lord Mayor accompanying the delegation.

Amendment

Moved by Councillor McAllister,
Seconded by Councillor Nicholl,

That the Committee agreed to the proposed objectives and logistics for the all-Party delegation visit to Brussels, as set out in the report.

On a vote by show of hands, four Members voted for the proposal and ten members against and it was declared lost.

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The original proposal standing in the name of Councillor Carson and seconded by Councillor O'Hara was put to the meeting when, on a vote by show of hands, nine Members voted for the proposal and five against, and it was declared carried.

**Request for Members of Senate
to Meet with Brexit Committee**

The Senior Democratic Services Officer informed the Committee that he had received information that representatives of the Senate would be in Belfast on 8th October and would be seeking to meet with the Council's Brexit Committee.

Pending an official request, it was felt appropriate to make Members aware of the potential visit, in order to seek Committee's view on whether it would wish to accede to a request from the Senate, should it be received.

The Committee agreed to this course of action.

Chairperson