

Brexit Insight

Local Government focus

Context

Given the marked spatial variation of voting patterns in the EU referendum it raises some interesting questions about the socio economic variations of place and their associations with Brexit. We have been thinking about what these places are like currently as well as how resilient they are to respond to Brexit.

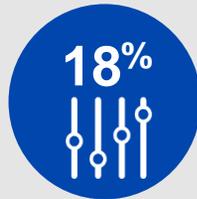
We have created a framework bringing together the likely impacts of Brexit - both direct, in terms of EU funding levels and indirect, such as levels of Foreign Direct Investment - with local factors to create a more differentiated, place based picture of Brexit. The question then remains as to how able and prepared local government is to make changes to mitigate the risks Brexit poses to local communities.

Exposure: Trade

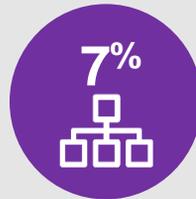
Proportion of UK GDP dependent on EU



Manufacturing



Primary Industries



Services



Construction

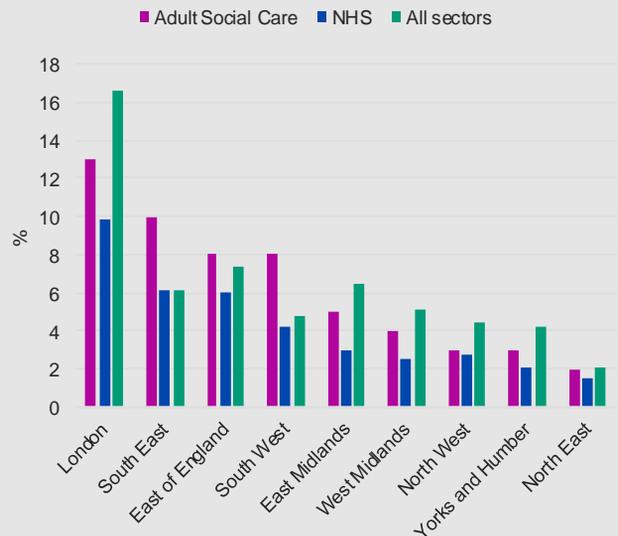
Exposure: Funding

EU funding vs. Community Vulnerability Index



Exposure: EU workers

Proportion of workforce from EEA



Local Government Focus

It is important for local leaders to have a considered understanding of their place and populations in order to identify how local changes as a result of Brexit impact on communities. To support this understanding we have characterised Brexit risk using three key dimensions: population vulnerability, exposure to the EU and the capacity to adapt of local government.

Grant Thornton's Insight and Analytics team created an index to identify these vulnerable places. The index takes into account factors such as age, unemployment, deprivation, income and occupations.

Based on this analysis, areas in the East and North of England have the most vulnerable populations. However, when we introduce another dimension – exposure to loss in EU funding, the North East, North West and East Midlands are highlighted as areas with both high vulnerability and high levels of EU funding. These areas are consequently at high risk, with local authorities having to fill the funding gap left by potential loss of EU grants. On the other hand, Yorkshire and the Humber and the West Midlands – which also have high vulnerability scores – do not rely on EU funding as much.

Our analysis of economic data also indicates clear sector- and place-based impacts of Brexit.

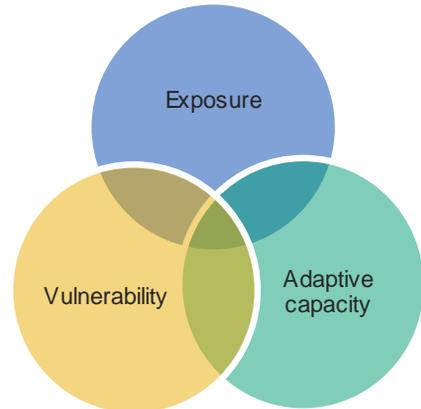
The manufacturing sector is most integrated within the EU supply chain, with 30% of its GDP depending on demand within the EU. The regions exporting most goods to the EU per capita are the North East and the South East. They are likely to be most affected from potential tariffs imposed in case of failure to negotiate a favourable free trade agreement.

Although the Services sector is less dependent on the EU (only 7 per cent of GDP is attributable to EU membership), the regions with high concentration of services – London, the South East and the East of England – are most dependent on EU nationals working in adult social care and the NHS.

The challenge of developing adaptive capacity

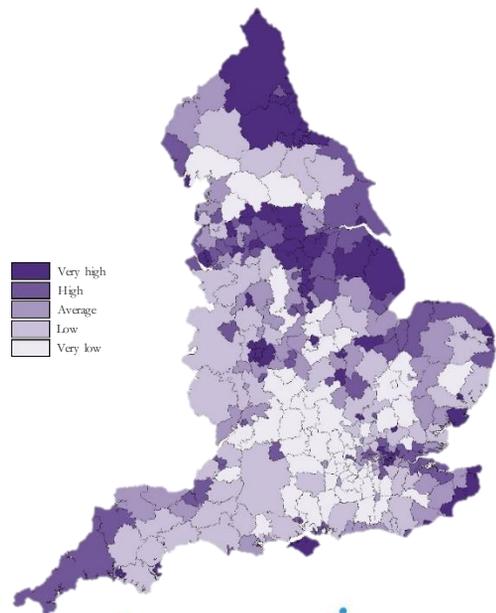
The question ahead is: Does local government have the legal, financial and economic resources to adapt to Brexit? And more importantly, come 2020, will the sector achieve the financial sustainability needed to meet the challenges ahead?

Risk framework



Vulnerability

Insight & Analytics Community Vulnerability Index



For further information, please contact one of the team:

Phillip Woolley
Grant Thornton UK LLP
Head of Insights and Analytics
T 0161 953 6430
E phillip.woolley@uk.gt.com

Paul Dossett
Grant Thornton UK LLP
Head of Local Government
T 020 7728 3180
E paul.dossett@uk.gt.com

Guy Clifton
Grant Thornton UK LLP
Head of Local Government Advisory
T 020 7728 2427
E guy.clifton@uk.gt.com