

<b>Committee:</b> Policy & Resources Committee	<b>Date:</b> 23 June 2015
<b>Subject:</b> Referendum of UK's membership of the European Union	<b>Public</b>
<b>Report of:</b> Director of Economic Development	<b>For Information</b>
<b><u>Summary</u></b>	
<p>Following the election of a majority Conservative government, legislation has been introduced to Parliament to hold a referendum on the UK's membership of the European Union (EU) by the end of 2017.</p> <p>Members are requested to note the content of this report which provides information on the likely next steps of the referendum process and to consider the position to be taken in the referendum debate by the City of London Corporation.</p>	

### **Main Report**

#### **Background**

1. Following the election on 7 May of a majority Conservative Party government, there will now be a referendum on the United Kingdom's membership of the European Union (EU).
2. An EU Referendum Bill is already before Parliament, defining the key conditions of the referendum including who can vote; funding; the question - "Should the United Kingdom remain a member of the European Union?" and the latest date the referendum can be held (31 December 2017). A House of Commons Library Briefing Paper on the EU Referendum Bill is attached at *appendix 1*.
3. The EU Referendum campaign and its result will have a vital impact on the City's economy, and the work of the City of London Corporation, particularly in regard to supporting and promoting London as the world's leading international finance and professional services centre.

#### **The Referendum Campaign**

4. At present, the most likely timetable is as follows:
  - **June 2015:** HM Government decides key reforms it is seeking to achieve in its negotiations with the EU. The government reforms are likely to focus on returning powers to national parliaments;

protection for the Eurozone “Outs”; welfare / migration reform and interpretation of “ever closer union”.

- **July – late 2015/early 2016:** negotiations between UK and EU.
  - **May 2016:** Scotland, Wales and local government elections: possible referendum date.
  - **September 2016:** likely date of referendum
5. At present, it is unclear how long the official campaign will last. Initial indications were for a six week official campaign period, but the Electoral Commission is recommending ten weeks.
  6. It is still unclear precisely how the campaigns will be organised, but it is likely that there will be a “Yes” campaign to stay in the EU and a “No” campaign to leave the EU.
  7. The Yes campaign may well bring together parts of *British Influence*, *Business for New Europe* and the *European Movement*.
  8. The No campaign may be led by *Business for Britain*. A challenge for *Business for Britain* is that some supporters may decide the reform secured by the government is sufficient to support staying in the EU, others may feel the reform is insufficient and they then advocate withdrawal.
  9. Both campaigns will be looking to learn lessons from the Scottish referendum. It is likely that many organisations may decide that whilst they support staying in the EU, they do not join the official Yes campaign, preferring to have a flexibility to engage with their own core audiences. Similarly the No campaign is likely to position itself as an ‘anti-establishment’ or ‘anti-big business’ campaign, and many groups will retain autonomy from the official No campaign.

### **Views of the Financial and Professional Services Industry**

10. Both sides of the debate acknowledge that the views of the business community will be important in the referendum campaign. Since the Prime Minister’s “Bloomberg Speech” in January 2013, where he first gave a commitment to hold a referendum on the UK’s membership on the EU, a great deal of research has been produced and surveys undertaken, by the business community, trade associations, the City Corporation and others.
11. This work has demonstrated the views of the business community on the EU, and also informed a reform agenda for Europe. The City Corporation has actively contributed to this process having made a submission to the

government's Balance of Competences review on the *Free Movement of People* (appendix 2) and drafting the International Regulatory Strategy Group's (IRSG) submission on *Financial Services and Free Movement of Capital* (appendix 3).

12. With an EU Referendum now in prospect, several business organisations have set out an agenda for change, including Business for Britain and the CBI. The City Corporation has worked with TheCityUK and its other members to compile an agenda for EU Reform (appendix 4), the main recommendations of which are as follows:
  - A deep and strong Single Market, open to the world;
  - A European agenda for jobs, growth and competitiveness, and a focus on better regulation;
  - Fair and equal treatment of all Member States, and safeguards for countries outside the Eurozone.
13. Business organisations are increasingly taking a position on the discussion. There are voices leaning towards a 'no', but the overwhelming view of the business community, including the financial and professional services industry, is that it is in the UK's best interest to remain a member of the EU. Business opinion is not uncritical of the EU, and many business people wish to see the EU reformed to become more globally competitive, but on balance the research and opinion polling demonstrates that they wish to see the UK a fully engaged member of a competitive EU.

### **Business Surveys and Statements**

14. Attached (appendix 5) to this report is a draft table of recent surveys and research reports produced by business trade associations and other relevant organisations. Highlights include:
  - **Business for Britain:** 49% of all businesses would vote to remain a member of the EU compared with 39% who would vote to leave. (*published September 2013*)
  - **TheCityUK:** 84% of members believe remaining in the EU is the best option for the competitiveness of the UK as a financial centre. 4% support leaving the single market. (*published October 2013*)
  - **CBI:** 78% of CBI members – including 77% of SMEs – would vote to remain a member of the EU in a referendum if held tomorrow. (*published November 2013*)

- **CSFI:** Nearly three-quarters of respondents (financial services professionals) to survey (73%) say they will either ‘definitely’ (49%) or ‘probably’ (24%) vote to stay in, while only 12% will ‘definitely’ vote to get out. (*published April 2015*)

## **Submissions to the Balance of Competences Review on Financial Services and Free Movement of Capital**

15. Below are public submissions from financial services firms to the Balance of Competences review on Financial Services:

- *“the UK’s interests, with regards financial services, are best served by continuing to be an inner member of Europe”*  
Association of Foreign Banks
- *“Citi has chosen the UK base from which to head operations for many reasons, two of the most significant are 1) London’s position as a global financial centre, and 2) UK’s access to the Single market. We believe the first is in no small part due to the second”*  
Citi
- *“The UK is not only an important player in Europe, but as an EU Member State is an attractive place to do business”* JP Morgan
- *“The Single Market is a key attraction for the UK as a gateway to Europe”* Nomura

16. The conclusion of Balance of Competences report into *Financial Markets and Free Movement of Capital* was:

Responses to the Call for Evidence, and evidence from relevant public sources, suggest that in the areas covered the balance of competences, as intended in the EU Treaties, is broadly appropriate, but is often undermined by poor policy-making. For the balance to be fully appropriate in the future, the EU should undertake significant reform of the existing EU policy-making framework and processes, take a more proportionate approach to legislation in all sub- sectors, and give greater consideration to the principle of subsidiarity in retail market sectors.

This is supported by evidence that:

- Access to the single market in financial services and the Free Movement of Capital provides significant benefits for the UK financial services industry and for consumers – a number of industry stakeholders stressed the UK’s access to the Single Market as a reason to locate in the UK and argued that further deepening of the Single Market would bring additional benefits;

- There are, however, significant weaknesses in the EU's current approach to harmonisation and policy-making – stakeholders considered the existing policy-making framework to have been inadequate for the type, volume and pace of legislation experienced in the last five years, and the quality of consultations, impact assessments and drafting of detailed rules to have not been sufficiently high; and
- Focused reform is required to ensure the success of the Single Market and justify the current balance of competences – a majority of respondents believed that a programme of reform is achievable and could correct current deficiencies, although wide concerns related to the development of the euro area and the banking union implied that Treaty change should remain an option, while some respondents argued for a repatriation of powers.

### **City Corporation's Current Position**

17. At a meeting of the Policy & Resources Committee on 27 June 2013, the following key messages were agreed to inform our engagement with EU policy makers:
  - Promote London to policy makers as Europe's international financial and business centre;
  - Explain the role of financial services in supporting the wider economy;
  - Europe needs to reform to be more competitive in the global economy;
  - Strengthen and complete the Single Market;
  - The UK needs to be fully engaged in EU policy making.
18. Currently, the approach has been to reflect the factual position, by setting out the strong business support for the UK to remain a member of the EU.
19. Given it is now certain that there will be an EU referendum, it is appropriate to review the role of the City Corporation in the debate.
20. The City Corporation is already fully engaged with EU institutions and policy makers in its role to support and promote London as the world's leading international financial and business centre. This work is done in close partnership with financial and professional services firms, TheCityUK and other trade associations, and through the work of the IRSG.

21. Given how central the EU referendum debate will be to financial and professional services industry, the City Corporation must remain fully engaged in this debate to maintain its credibility with business and policy makers.
22. Work is already underway to increase resources in the City Office in Brussels (see separate report to Your Committee) and the Economic Development Office is examining options to provide a 'hub' of information relevant to financial services and the referendum debate.

### **The City Corporation's position on the Referendum**

23. Once the Government has announced its proposals for reform, expected by the end of June 2015, the City Corporation could adopt one of the following positions:
  - Maintain the current position by setting out the broader view of business in favour of continued membership;
  - Change position to saying "*the City Corporation believes it is best for the UK to remain a member of the EU*".
24. Whatever position Members decide to adopt, reform should be encouraged and the City will continue to emphasise the importance of the integrity of the Single Market and safeguarding the position of Member States outside the Eurozone.

### **Role of Members of the City Corporation**

25. Members have sought guidance on how to respond to questions on the City Corporation's position on the referendum. Members are of course free to give their personal view at any time, but there will be an agreed position for the City Corporation to be decided by the Policy & Resources Committee.

### **Next Steps**

26. Members are invited to give their initial views to the proposed evolution of the City Corporation's position on the EU referendum.
27. A report will be submitted to the July meeting of the Policy & Resources Committee requesting a decision from Members on the City Corporation's position on the EU referendum. It is anticipated that before the meeting, the Government will have announced its reform proposals.

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